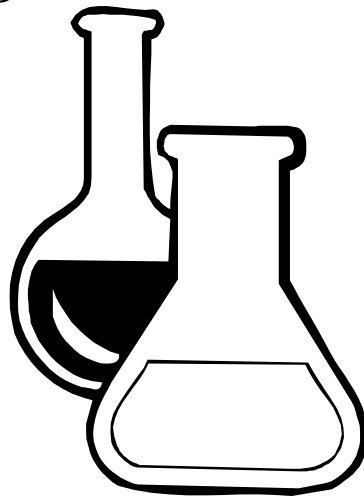
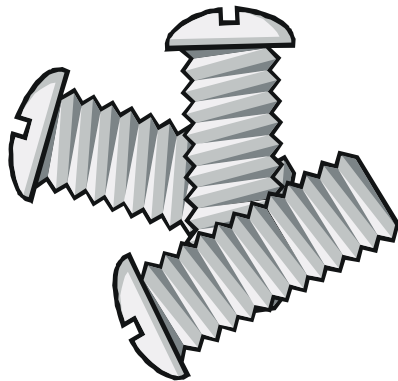
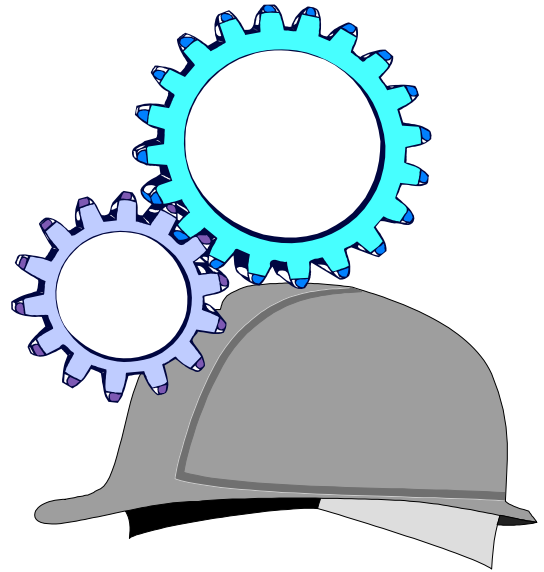


Sales and Use Taxes
Guide for
Manufacturers,
Fabricators
and Processors



State of Connecticut
John G. Rowland, Governor

Department of Revenue Services
Gene Gavin, Commissioner



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
GENE GAVIN, COMMISSIONER

A Message from the Commissioner:

We are pleased to provide this *Sales and Use Taxes Guide for Manufacturers, Fabricators and Processors*. It was developed to help clarify the sales and use tax laws and to assist you in determining applicable tax rates for your operations.

It is important to review the sections of the *Guide* that apply to your business. Recent changes to Connecticut's sales and use tax laws have reduced the tax rate on some materials, equipment and repair parts and services, and exempted others completely. We have tried to be as comprehensive as possible in presenting this information, but encourage you to contact our Taxpayer Services Division for guidance if you have questions about your particular situation. Phone numbers and locations of Department of Revenue Services (DRS) offices are listed inside the back cover of this booklet. Our Web site (www.state.ct.us/drs) is also a good resource for information and updates on sales and use taxes.

We value your comments and suggestions on how DRS can serve you better. Please feel free to write, phone or e-mail us with your ideas.

Gene Gavin
Commissioner

Creating Partnerships with Connecticut Businesses

IP 99(18)

Sales and Use Taxes Guide for Manufacturers, Fabricators and Processors

Published under the direction of
Gene Gavin
Commissioner
Department of Revenue Services
State of Connecticut

This document is not intended to be used as a legal ruling, but as a general guide for the proper treatment of sales and use taxes as they relate to manufacturers, fabricators and processors.

See the inside of the back cover for information on obtaining additional copies of this publication or how to contact the Department of Revenue Services with any questions about its content.

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INTRODUCTION

This is a guide to Connecticut sales and use taxes for manufacturers, fabricators and processors doing business in the State of Connecticut. The main focus of the guide is on the sales and use taxes as they apply to the manufacturing industry. Manufacturers, fabricators and processors are defined in Section I of this guide.

Connecticut sales and use taxes are imposed on the sale of all tangible personal property, and certain enumerated services, unless specifically exempt from tax by statute. Full and partial exemptions from sales and use taxes are available to qualified manufacturers, fabricators and processors. This guide is a reference of available benefits for manufacturers, fabricators and processors under the Connecticut Sales and Use Taxes Act.

While many areas of the tax law are discussed, the most commonly used manufacturing exemptions are provided for in:

- *Conn. Gen. Stat. §12-412(18)*
- *Conn. Gen. Stat. §12-412(34)*
- *Conn. Gen. Stat. §12-412(73)*
- *Conn. Gen. Stat. §12-412i*
(the *Manufacturing Recovery Act of 1992*)

FULL EXEMPTION

Conn. Gen. Stat. §12-412(18) and §12-412(34) are the original manufacturing sales and use taxes exemptions and together form the foundation of available manufacturing exemptions under the Sales and Use Taxes Act. They provide manufacturers a full exemption from sales and use taxes on the purchase of machinery, materials, tools and fuel used directly in the manufacturing production process. Conn. Gen. Stat. §12-412(18) also provides a full exemption from the sales and use taxes for fabricators on the purchase of materials, tools and fuel used directly in an industrial plant in the actual fabrication of finished products to be sold. Fabricators are not afforded the full exemption on machinery. Processors are not eligible for any portion of these full exemptions. Connecticut Agencies Regulations §12-412(18)-1 and §12-412(34)-1 provide further guidance on the application of these exemptions.

Effective January 1, 1999, replacement and repair parts for manufacturing machinery that is exempt under Conn. Gen. Stat. §12-412(34) are not subject to sales and use taxes, whether they are purchased with the machine or separately. The refund provision and reduced tax rate for replacement and repair parts are repealed. Component parts and contrivances for manufacturing machinery that is exempt under Conn. Gen. Stat. §12-412(34) are not subject to sales and use taxes, whether they are purchased with the machine or separately. Parts that enhance or alter the productivity or functionality of a machine are also exempt.

Conn. Gen. Stat. §12-412(73) provides a full exemption from the sales and use taxes on purchases of component parts to be assembled into machinery for use directly in a manufacturing production process and for component parts to be assembled into or onto qualifying machinery, provided the machinery has not yet been used in actual production. Fabricators and processors are not eligible for this exemption.

PARTIAL EXEMPTION

The Manufacturing Recovery Act of 1992 (the MRA), codified as Conn. Gen. Stat. §12-412i, provides a partial exemption from the sales and use taxes. The partial exemption is provided as a percentage reduction of the gross receipts to calculate sales and use taxes on purchases of machinery, equipment, materials, tools, fuels, component parts and repair parts. The MRA partial exemption was phased in over five years culminating in a maximum exemption of 50% of the gross receipts or sales price of materials, tools, fuels, machinery, equipment, repair, replacement, component and enhancement parts on and after July 1, 1996. This partial exemption is available to qualifying manufacturers, fabricators, processors and qualifying independent contractors.

The MRA is not intended to replace Conn. Gen. Stat. §12-412(18), §12-412(34) and §12-412(73), but to work with and supplement the full exemptions available under these statutes. Thus, any sale of materials, tools, fuel, machinery or repair, replacement, component and enhancement parts that meets the requirements for full exemption under any one of these statutes continues to qualify for a full exemption. The MRA broadens

the scope of the manufacturing and fabrication processes for the partial exemption and creates a partial exemption for processors and qualifying independent contractors.

REDUCED RATE AND REFUND REPEALED

For sales made before January 1, 1999, Conn. Gen. Stat. 12-408(1)(A) provided a reduced sales and use taxes rate of **5½%** for purchases of replacement or repair parts for exclusive use in machinery qualifying

for a full exemption under Conn. Gen. Stat. §12-412(34) and used directly in a manufacturing production process. Manufacturers purchasing replacement and repair parts for manufacturing machinery were afforded this benefit of a reduced tax rate, in addition to the partial exemption available under the MRA for the parts. Manufacturers were also eligible for a refund of tax paid under Conn. Gen. Stat. §12-412d. Effective January 1, 1999, Conn. Gen. Stat. §12-408(1)(A) and §12-412d were repealed and replaced by a full exemption under Conn. Gen. Stat. §12-412(34).

RESPONSIBILITIES OF MANUFACTURERS, FABRICATORS AND PROCESSORS IN CLAIMING EXEMPTIONS

As you read this guide, please keep in mind that the burden of proving that a purchase qualifies for exemption rests with the purchaser. **It is the responsibility of the purchaser to:**

- (1) understand all qualifications before claiming any exemption;
- (2) provide the appropriate exemption certificates to suppliers; and
- (3) keep complete and adequate records.

In matters of dispute, a purchaser must substantiate its qualifications to the Department. In an audit, the Department need not prove that a purchase does not qualify for exemption; the purchaser must prove that it does. A purchaser who issues a false or fraudulent exemption certificate will be held liable for payment of tax, penalties and interest **and** may also be subject to both civil and criminal penalties.

GUIDE SECTIONS

- Section I:** **Manufacturers, Fabricators and Processors** helps you determine if a business qualifies as manufacturing, fabricating or processing. Once you have properly classified the business, you can proceed to the next step and determine which purchases made by your business may qualify for a full or partial exemption. A business that does not meet the full qualifications of a manufacturer, fabricator or processor may still qualify for a partial exemption.
- Section II:** **Full Exemption for Machinery** pertains only to manufacturers. Manufacturers are afforded a full exemption on purchases of machinery used directly in the manufacturing production process.
- Section III:** **Full Exemption for Materials, Tools and Fuel** pertains to manufacturers and fabricators. Manufacturers and fabricators are afforded a full exemption on purchases of materials, tools and fuel that become an ingredient or component part of tangible personal property to be sold or are used directly in an industrial plant in a manufacturing or fabrication process of finished products to be sold.
- Section IV:** **Partial Exemption for Machinery and Equipment** pertains to manufacturers, fabricators, processors and independent contractors. Manufacturers, fabricators, processors and independent contractors may be eligible for a partial exemption on purchases of machinery and equipment under the MRA.
- Section V:** **Partial Exemption for Materials, Tools and Fuels** pertains to manufacturers, fabricators, processors and independent contractors. Manufacturers, fabricators, processors and independent contractors may be eligible for a partial exemption on purchases of materials, tools and fuels under the MRA, even if they do not qualify for the full exemption.
- Section VI:** **Replacement, Repair, Component and Enhancement Parts** pertains to manufacturers, fabricators and processors. Manufacturers are eligible for full exemption on purchases of replacement, repair, component and enhancement parts for machinery. Manufacturers are also eligible for a partial exemption on purchases of replacement, repair, component and enhancement parts for machinery, equipment and tools. Fabricators and processors are eligible for a partial exemption on purchases of replacement, repair, component and enhancement parts for machinery, equipment and tools under the MRA.
- Section VII:** **Labor and Services** pertains to manufacturers, fabricators and processors. The taxability of labor provided to manufacturers, fabricators and processors is discussed.
- Section VIII:** **Computers, Software and Computer Services** pertains to manufacturers, fabricators and processors. Manufacturers may be eligible for a full or partial exemption on some purchases of computers and software. Fabricators and processors may be eligible for a partial exemption on some purchases of computers and software.
- Section IX:** **Research and Development** pertains to manufacturers, fabricators and processors. Partial exemptions are available to manufacturers, fabricators and processors for research and development.

- Section X:** **Testing and Measuring** pertains to manufacturers, fabricators and processors. Full and partial exemptions are available to manufacturers, fabricators and processors for testing and measuring.
- Section XI:** **Air Pollution Control and Waste Treatment** pertains to manufacturers, fabricators and processors. A full exemption is available for tangible personal property incorporated into or used and consumed in an air pollution control or waste treatment facility.
- Section XII:** **Containers and Packaging Materials** pertains to manufacturers, fabricators and processors. The exemptions available to manufacturers, fabricators and processors for containers and packaging materials are discussed.
- Section XIII:** **Industries with Specific Statutory Exemptions** pertains to manufacturers, fabricators and processors. Certain industries have been identified by the Department with exemptions specific to their industries.
- Section XIV:** **Sales and Certificates** pertains to manufacturers, fabricators and processors. Manufacturers, fabricators and processors are required to collect tax on all sales made to their customers, unless the items being sold are exempted by statute, or an exemption certificate or resale certificate is issued by the purchaser. Both suppliers and purchasers are responsible in providing and accepting certificates for exempt purchases of materials, tools, fuels, machinery, equipment, repair, replacement, component and enhancement parts.
- Section XV:** **Connecticut Use Tax** pertains to manufacturers, fabricators and processors. The responsibility of manufacturers, fabricators and processors in complying with the Connecticut use tax law is discussed.
- Appendix A:** **Index of Tax Publications**

SECTION I — MANUFACTURERS, FABRICATORS AND PROCESSORS

Full and partial exemptions from tax are available to qualified manufacturers, fabricators and processors. The first step is to determine whether your business qualifies as a manufacturer, fabricator or processor.

MANUFACTURERS

Qualified manufacturers are eligible for a full or partial exemption on purchases of:

Full Exemption

- machinery
- materials
- tools
- fuel
- component and enhancement parts
- replacement and repair parts

Partial Exemption

- machinery
- equipment
- materials
- tools
- fuels
- component and enhancement parts
- replacement and repair parts

The term *manufacturing* is defined differently for the full exemption and the partial exemption under the Sales and Use Taxes Act.

Conn. Agencies Reg. §12-412(34)-1, for the full exemption, defines **manufacturing** as:

an operation or an integrated series of operations that substantially transform, by physical, chemical or other means, the form, composition or character of raw or finished materials into a product possessing a new name, nature and use which is intended for sale, whether by the manufacturer or by another on whose behalf the manufacturer has undertaken the manufacture. The transformation cannot be a mere natural process, whether or not expedited by the use of machinery.

Conn. Gen. Stat. §12-412i(b)(1), for the partial exemption under the MRA, defines **manufacturing** as:

the activity of converting or conditioning tangible personal property by changing the form, composition, quality or character of the property for ultimate sale at retail or use in the manufacturing of a product to be ultimately sold at retail. Changing the quality of property shall include any substantial overhaul of the property that results in a significantly greater service life than such property would have had in the absence of such overhaul or with significantly greater functionality within the service life of the property, beyond merely restoring the original functionality for the balance of the original service life.

While the two definitions are **not** interchangeable, the major differences between the two are the inclusion of the following additional activities as **manufacturing** under the MRA for a partial exemption:

- (1) manufacturing a product that will not itself be sold **for use in the manufacturing of a product** to be ultimately sold at retail; and
- (2) **substantial overhaul** of tangible personal property for ultimate sale at retail or use in the manufacturing of a product to be ultimately sold at retail.

MANUFACTURING GUIDELINES

Use these general guidelines to determine if a business qualifies as a manufacturer (*unless otherwise indicated, these guidelines apply for both a full and partial exemption*):

- (1) The manufacturing process **must** occur at an establishment that has manufacturing as its predominant purpose, such as a **manufacturing plant** or an **industrial plant**, to qualify for a full exemption on purchases of machinery, materials, tools and fuel and a partial exemption on purchases of materials, tools and fuels.

While there is no requirement that the process take place at such a plant to qualify for a partial exemption on purchases of machinery and equipment, retail-based manufacturing does **not** qualify as manufacturing for either a full or partial exemption. (See **Retail-Based Manufacturing, Fabricating or Processing** on page 11.)

For a full or partial exemption as a manufacturer, a **manufacturing plant** or an **industrial plant** is an establishment that has manufacturing as its predominant purpose (more than 50%) and that is generally recognized as such. The ordinary meaning of the term *manufacturing* or *industrial plant* indicates a place used either exclusively or primarily for manufacturing. If the plant is not located in a commercial or industrial zone, or if it is located in a partially residential dwelling, it is less likely to qualify as a manufacturing plant or an industrial plant. (See **Cottage Industries** on page 11.)

Use the following criteria to determine if an establishment has manufacturing as its predominant purpose:

- (a) The floor space must be predominantly devoted to a manufacturing process;
- (b) The predominant number of employees working at the establishment must be working in a manufacturing process;
- (c) The wages and salaries of employees working at the establishment must be predominantly wages and salaries of employees working in a manufacturing process;
- (d) The costs of operating the facility must be predominantly attributable to the manufacturing process;
- (e) **Conversely**, if sales made at the facility are predominantly of products that were manufactured elsewhere, it is more likely a retail establishment and the manufacturing aspect of the establishment is incidental to its retail characteristics.

Research and development activities preliminary to the manufacturing process are includable in the manufacturing production process **only** to establish a facility as a **manufacturing plant** or an **industrial plant** to determine eligibility for a full or partial exemption. Measuring and testing activities are includable in the manufacturing production process **only** to establish a facility as a **manufacturing plant** or an **industrial plant** to determine eligibility for a partial exemption. Research and development activities and measuring and testing activities, in and of themselves, **do not** constitute manufacturing for purposes of the full exemption, but **do** constitute manufacturing for purposes of the partial exemption.

- (2) For a full exemption, the finished product must be intended for sale, whether by the manufacturer or by another on whose behalf the manufacturer has undertaken such manufacturing. For a partial exemption, the finished product may also be a product **for use in** the manufacturing of a product ultimately sold at retail.
- (3) A chemical change to property, as opposed to only a physical change, is more likely to be considered manufacturing.
- (4) The process must be commonly regarded as manufacturing.*
- (5) The higher the degree of physical change, the more likely the process is to be regarded as manufacturing.
- (6) A process involving production in standardized sizes and qualities and in multiple quantities is more likely to be manufacturing.

* To determine an exemption from tax, a label of “manufacturing” does not, in and of itself, designate a manufacturing operation, whether applied by a governmental agency or any other such entity. *American Frozen Foods v. Dubno*, No. 301353 (Conn. Super. Ct. April 30, 1987), at 17.

Production processes commonly regarded as manufacturing include but are not limited to:

asphalt plants, bakeries (wholesale), brass industry, candy factories (wholesale), cement and concrete plants (including mobile concrete mixers), chemical processing, circuit board production, computer chip production, concrete block and tile production, commercial dairies, electroplating, forges, foundries, furniture making, glass making, heat treating, injection molding, machine and equipment production, machine shops, metal hardening, paper making, pharmaceutical, photoengraving, commercial photofinishing, plating, printing, quarries, rolling mill, saw mill, tool and die making and wire production.

Production processes not generally regarded as manufacturing include but are not limited to:

bakeries (retail), bottling water, candy makers (retail), cleaning and pressing of laundry, development of software programs, the furnishing of gas, water, steam, electricity, telephone or community antenna television service, graphic design, generation of steam or electricity, gravel plant, harvesting timber, photocopying, production and transmission of finished radio, television or cable television programming, restaurants, screening plants and ship yards (repairing and reconditioning boats).

FABRICATORS

Qualified fabricators may be eligible for full or partial exemptions on some purchases:

Full Exemption

materials
tools
fuel

Partial Exemption

machinery
equipment
materials
tools
fuels
component and enhancement parts
replacement and repair parts

The terms *actual fabrication* and *fabricating* are defined differently for the full and partial exemptions.

Conn. Agencies Regs. §12-412(18)-1(f), for a full exemption, defines **actual fabrication** as:

an operation or an integrated series of operations that alter or modify a manufactured product or raw materials, whether or not a change in the identity of the product or materials occurs. The transformation cannot be a mere natural process, whether or not expedited by the use of human skill or labor or machinery.

Conn. Gen. Stat. §12-412i(b)(2), for a partial exemption, defines **fabricating** as:

to make, build, create, produce or assemble components of tangible personal property so that they work in a new or different manner.

While the two terms are not interchangeable, the basic premise behind the two definitions is essentially the same.

FABRICATION GUIDELINES

Use these general guidelines to determine if a business qualifies as a fabricator (*unless otherwise indicated, these guidelines apply for purposes of full and partial exemption*):

- (1) The process must occur at an **industrial plant** to qualify for a full or partial exemption on purchases of materials, tools and fuel.

While there is no requirement that the fabrication process take place at an industrial plant to qualify for a partial exemption on purchases of machinery and equipment, retail-based fabricating does **not** qualify as fabrication. (See **Retail-Based Manufacturing, Fabricating or Processing** on page 11.)

For a full or partial exemption as a fabricator, an **industrial plant** is an establishment having fabrication of finished products to be sold as its predominant purpose (more than 50%) and is generally recognized as such. If the plant is not located in a commercial or industrial zone, or if it is located in a partially residential building, it is less likely to qualify as an industrial plant. (See **Cottage Industries** on page 11.)

Use the following criteria to determine if an establishment has fabrication as its predominant purpose:

- (a) The floor space of the establishment must be predominantly devoted to the fabrication of finished products to be sold;
- (b) The predominant number of employees working at the establishment must be working in the fabrication of finished products to be sold;
- (c) The wages and salaries of employees working at the establishment must be predominantly wages and salaries of employees working in the fabrication of finished products to be sold;
- (d) The costs of operating the establishment must be predominantly for the fabrication of finished products to be sold;
- (e) **Conversely**, if sales made at the establishment are predominantly of products fabricated elsewhere, it is more likely a retail establishment and the fabricating aspect of the establishment is incidental to its retail characteristics.

Research and development activities preparatory to the fabrication process are includable in the fabrication process **only** to qualify an establishment as an **industrial plant** to determine eligibility for a full or partial exemption. Measuring and testing activities are includable in the fabrication process **only** to qualify an establishment as an **industrial plant** to determine eligibility for a partial exemption. Research and development activities and measuring and testing activities, in and of themselves, **do not** constitute fabricating for purposes of the full exemption, but **do** constitute fabricating for purposes of the partial exemption.

- (2) For a full exemption, the finished products of fabrication must be intended for sale, whether by the fabricator or by another on whose behalf the fabricator has undertaken the fabrication.
- (3) The process must be commonly regarded as fabrication.

- (4) A process that is regarded as manufacturing will be regarded as fabrication, but a process that is regarded as fabrication will not necessarily be regarded as manufacturing.

Fabricating activities include but are not limited to: assembling, baling, bending, bottling, casting, coating, cutting, drilling, harvesting timber, painting, perforating, photocopying, replating tools, screening, shearing, shaping, shredding and welding.

Non-fabricating activities include but are not limited to: developing software programs, packing, repairing and remodeling.

PROCESSORS

Qualified processors may be eligible for a partial exemption on some purchases:

Partial Exemption

machinery
equipment
materials
tools
fuels
component and enhancement parts
replacement and repair parts

Conn. Gen. Stat. §12-412i(b)(3), for the partial exemption, defines **processing** as:

the physical application of the materials and labor necessary to modify or change the characteristics of tangible personal property.

PROCESSING GUIDELINES

Use these general guidelines to determine if a business qualifies as a processor:

- (1) The process must occur at an **industrial plant** to be eligible for a partial exemption on purchases of materials, tools and fuels.

While there is no requirement that the process take place at an industrial plant to qualify for partial exemption on purchases of machinery and equipment, retail-based processing does **not** qualify as processing. (**Retail-Based Manufacturing, Fabricating or Processing** is discussed in more detail on page 11.)

For a partial exemption as a processor, an **industrial plant** is an establishment that has processing of finished products to be sold as its predominant purpose (more than 50%) and is generally recognized as such. If the plant is not located in a commercial or industrial zone, or if it is located in a partially residential building, it is less likely to qualify as an industrial plant. (See **Cottage Industries** on page 11.)

Use the following criteria to determine if an establishment has processing as its predominant purpose:

- (a) The floor space of the establishment must be predominantly devoted to processing finished products to be sold;
 - (b) The predominant number of employees working at the establishment must be processing finished products to be sold;
 - (c) The wages and salaries of employees working at the establishment must be predominantly wages and salaries of employees processing finished products to be sold;
 - (d) The costs of operating the establishment must be predominantly attributable to processing finished products to be sold;
 - (e) **Conversely**, if sales made at the establishment are predominantly of products processed elsewhere, it is more likely a retail establishment and the processing aspect of the establishment is incidental to its retail characteristics.
- (2) The finished products of processing must be intended for sale, whether by the processor or by another on whose behalf the processor has undertaken the operation.
 - (3) The operation must be commonly regarded as processing.
 - (4) An operation that is regarded as fabrication is generally regarded as processing, but an operation that is regarded as processing is not necessarily regarded as fabrication.

Processing activities include but are not limited to:

recycling, pipe threading and refining.

Non-processing activities include but are not limited to: repairing tangible personal property, remodeling property, packing, unpacking or shelving of a product to be sold.

OTHER BUSINESSES

INDEPENDENT CONTRACTORS

A business that does not meet the full specifications of a manufacturer, fabricator or processor, but performs the activities of manufacturing, fabricating or processing as a subcontractor, or performs specific related services for a qualifying manufacturer, fabricator or processor, may still qualify for partial exemption on certain purchases.

A business must be **primarily** (chiefly) engaged in a qualifying manufacturing, fabricating, processing or related activity for a partial exemption under the MRA.

Examples:

- A contractor engaged in two separate activities, one that qualifies the contractor for the MRA partial exemption and the other that does not, is engaged primarily in the activity conducted **more than** 50% of the time.
- A contractor engaged in three different activities is engaged primarily in the activity conducted **more than** 33.33% of the time.

Research and development activities preparatory to processing activities are includable with actual processing to qualify an establishment as an **industrial plant** to determine eligibility for a partial exemption. Measuring and testing activities are includable in the actual processing to qualify an establishment as an **industrial plant** to determine eligibility for a partial exemption. Research and development activities and measuring and testing activities, in and of themselves, **do** constitute processing for purposes of the partial exemption.

Independent Contractor Guidelines

Use these guidelines to determine if an independent contractor qualifies for a partial exemption on certain purchases of machinery, equipment, materials, tools and fuels:

- (1) A contractor *primarily* engaged in **manufacturing, processing or fabricating as a subcontractor for a qualifying manufacturer, fabricator or processor** is eligible for a partial exemption on purchases of machinery, equipment, materials, tools and fuels. The process **must** occur at an **industrial plant** to be eligible for a partial exemption on purchases of materials, tools and fuels.
- (2) A contractor *primarily* engaged in **research and development** for manufacturing, processing or fabricating is eligible for a partial exemption on purchases of machinery, equipment, materials, tools and fuels. The process **must** occur at an **industrial plant** to be eligible for a partial exemption on purchases of materials, tools and fuels.
- (3) A contractor *primarily* engaged in **measuring and testing**, including adjusting and calibrating machinery, equipment and tools, for manufacturing, processing or fabricating is eligible for a partial exemption on purchases of machinery, equipment, materials, tools and fuels. The process **must** occur at an **industrial plant** to be eligible for a partial exemption on purchases of materials, tools and fuels.
- (4) A contractor *primarily* engaged in **maintaining or repairing** qualifying manufacturing, processing or fabricating machinery or equipment, is eligible for a partial exemption **only** on purchases of machinery or equipment.

While there is no requirement that manufacturing, fabricating, processing or related service activities take place at an industrial plant to qualify for a partial exemption on purchases of machinery and equipment, retail-based activities do **not** qualify. (See **Retail-Based Manufacturing, Fabricating or Processing** on page 11.)

An **industrial plant** is an establishment with the **predominant** purpose (more than 50%) of manufacturing, processing or fabricating finished products to be sold, including any preparatory or related process or measuring or testing such products, and is generally recognized as such.

Use the following criteria to determine if an establishment has as its predominant purpose the manufacturing, processing or fabricating finished products to be sold, or any preparatory or related process or the measuring or testing of such products:

- (a) The floor space of the establishment must be predominantly devoted to manufacturing, processing or fabricating finished products to be sold;
- (b) The predominant number of employees working at the establishment must be manufacturing, processing or fabricating finished products to be sold;
- (c) The wages and salaries of employees working at the establishment must be predominantly wages and salaries of employees manufacturing, processing or fabricating finished products to be sold;
- (d) The costs of operating the establishment must be predominantly attributable to manufacturing, processing or fabricating finished products to be sold;
- (e) **Conversely**, if sales made at the establishment are predominantly of products manufactured, processed or fabricated elsewhere, it is more likely a retail establishment and the manufacturing, processing or fabricating aspects of the establishment are incidental to its retail characteristics.

Research and development activities preparatory to the process or measuring and testing activities are includable with actual manufacturing, fabricating or processing to qualify an establishment as an industrial plant for an exemption under the MRA as an independent contractor.

COTTAGE INDUSTRIES

In cottage industries, manufacturing, processing or fabricating activities are conducted at a nonindustrial or noncommercial location, such as a residential dwelling or in a building on the grounds of a residential dwelling. A facility that is not located in a commercial or industrial zone, or that is located in a partially residential building, is less likely to qualify as a manufacturing plant or an industrial plant and is considered a cottage industry. Cottage industries are not eligible for the full exemptions provided to qualifying manufacturers and fabricators, nor are they eligible for a partial exemption on materials, tools and fuels. (An establishment must be a manufacturing plant or an industrial plant to qualify for the full exemption of machinery, repair, replacement, component or enhancement parts for such machinery, materials, tools and fuel and for partial exemption on purchases of materials, tools and fuel.) Cottage industries may, however, be eligible for a partial exemption on purchases of machinery, equipment and repair, replacement, component or enhancement parts for such machinery and equipment.

RETAIL-BASED MANUFACTURING, FABRICATING OR PROCESSING

Businesses engaged in retail-based manufacturing, fabricating or processing **do not** qualify as manufacturers, fabricators and processors for an exemption. Retail-based manufacturing, processing or fabricating includes any establishment primarily engaged in business:

- as a retailer of tangible personal property, which manufactures, processes or fabricates tangible personal property as an incidental part of its business;
- as a retailer of services, which manufactures, processes or fabricates tangible personal property as an incidental part of its business; or
- in furnishing, preparing or serving food, meals or drinks, which manufactures, processes or fabricates tangible personal property as an incidental part of its business.

Retail-based establishments include but are not limited to retailers such as:

restaurants, grocery stores, caterers, meat and fish markets; bakeries, candy, nut and confectionery stores that process food products primarily for direct sale on the premises to consumers; photographic studios; artists; tailors; establishments that primarily perform fabricating or processing on the property of others on a retail basis (such activities are taxable under Conn. Gen. Stat. §12-407(2)(c) or (2)(g)).

REFERENCES

Conn. Gen. Stat. §12-412(18)

Production materials

Conn. Gen. Stat. §12-412(34)

Machinery used in manufacturing

Conn. Gen. Stat. §12-412i

Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing

Conn. Agencies Regs. §12-412(18)-1

Materials, tools and fuel used directly in an industrial plant in the actual fabrication of finished products to be sold

Conn. Agencies Regs. §12-412(34)-1

Machinery used directly in a manufacturing production process

SN 93(1.1), The Manufacturing Recovery Act of 1992 — Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating

Section 1 SUMMARY

	MANUFACTURERS	FABRICATORS	PROCESSORS	INDEPENDENT CONTRACTORS *
MANUFACTURING PLANT	Full exemption on purchases of machinery, repair, replacement, component or enhancement parts for such machinery, and on materials, tools and fuel Partial exemption on purchases of machinery, equipment, materials, tools, repair, replacement, component or enhancement parts and fuels	Not applicable	Not applicable	Not applicable
INDUSTRIAL PLANT	Full exemption on purchases of machinery, repair, replacement, component or enhancement parts for such machinery, and on materials, tools and fuel Partial exemption on purchases of machinery, equipment, materials, tools, repair, replacement, component or enhancement parts and fuels	Full exemption on purchases of materials, tools and fuel Partial exemption on purchases of machinery, equipment, materials, tools, repair, replacement, component or enhancement parts and fuels	Partial exemption on purchases of machinery, equipment, materials, tools, repair, replacement, component or enhancement parts and fuels	Partial exemption on purchases of machinery, equipment, materials, tools, repair, replacement, component or enhancement parts and fuels
COTTAGE INDUSTRY	Partial exemption on purchases of machinery and equipment, repair, replacement, component or enhancement parts	Partial exemption on purchases of machinery and equipment, repair, replacement, component or enhancement parts	Partial exemption on purchases of machinery and equipment, repair, replacement, component or enhancement parts	Partial exemption on purchases of machinery and equipment, repair, replacement, component or enhancement parts
RETAIL-BASED	No exemptions	No exemptions	No exemptions	No exemptions

* Independent contractors performing manufacturing, fabricating or processing or other specifically stated activities as subcontractors for manufacturers, fabricators or processors.

SECTION II — FULL EXEMPTION FOR MACHINERY (Manufacturers)

Conn. Gen. Stat. §12-412(34) provides a full exemption for:

Machinery used in Manufacturing. *Sales of and the storage, use or other consumption of machinery used directly in a manufacturing production process. The word “machinery” as used in this subsection means the basic machine itself, and includes all of its component parts and contrivances, such as belts, pulleys, shafts, moving parts, operating structures and equipment or devices, which component parts and contrivances are used or required to control, regulate or operate the machinery or to enhance or alter its productivity or functionality, whether such component parts and contrivances are purchased separately or in conjunction with such machine and all replacement and repair parts for the basic machine or for its component parts and contrivances, whether such replacement or repair parts are purchased separately or in conjunction with such machine. For purposes of this subsection, “machinery” includes machinery used exclusively to control or monitor an activity occurring during the manufacturing production process and machinery used exclusively during the manufacturing production process to test or measure materials and products being manufactured but shall not include office equipment or data processing equipment other than numerically controlled machinery used directly in the manufacturing process.*

The sale, lease, or rental of machinery is subject to tax as the sale of tangible personal property. The tax applies to the total gross receipts, including any property taxes that are part of a lease or rental agreement. Conn. Gen. Stat. §12-412(34) allows a full exemption on the purchase, lease or rental of qualifying machinery. The full exemption is available **only** to manufacturers operating in a *manufacturing plant*. See the definition of *manufacturing plant* on page 6.

A qualifying manufacturer must complete and issue **CERT-101, Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process**, to the supplier to claim an exemption on purchases of machinery under Conn. Gen. Stat. §12-412(34). Only qualified manufacturers may issue CERT-101. Contractors or other businesses may not issue this certificate.

The machinery must be used directly in a **manufacturing production process** to qualify for a full exemption under Conn. Gen. Stat. §12-412(34).

Conn. Agencies Regs. §12-412(34)-1(d) defines the **manufacturing production process** as follows:

the activities or series of activities of which manufacturing consists, beginning with the movement of materials, after their receipt, inspection and storage, to the first production machine and ending with the packaging of the manufactured product for its sale to the ultimate consumer.

For a full exemption, the manufacturing production process does **not** include:

- **pre-production activities**, such as the weighing, inspection and storage of materials, before the movement of materials to the first production machine; or
- **post production activities**, such as the casing, bundling, sorting, handling, storing, loading, or delivery of the manufactured product, after packaging the product to be sold to the ultimate consumer.

The machinery does not have to directly come into contact with the product being manufactured to qualify for a full exemption. It need only be used directly in the manufacturing process.

Example:

Machinery used to regulate atmospheric conditions within a “clean room” (enclosed, environmentally controlled area) that is used in the manufacturing production process, qualifies as machinery used directly in the manufacturing production process. The quality of the air in the clean room has a direct effect on the product being manufactured.

QUALIFYING MACHINERY

Use these general guidelines to determine if machinery is **used directly** in a manufacturing process:

- (1) the machinery directly transforms, or has a direct effect on, materials being manufactured into a product to be sold;
- (2) the machinery is used **predominantly** on the production line to perform an activity during the manufacturing process;

Examples:

- machinery such as a forklift, conveyor belt, euclid, crane, payloador or hoist used more than 50% of the time to move the materials being manufactured between machinery;
- electric or hydraulic motors used more than 50% of the time to power machinery; or
- air compressors used more than 50% of the time for sandblasting in a manufacturing process.

- (3) the machinery is **both**:

- (a)
 - used **exclusively** to control or monitor an activity during the manufacturing process; or
 - used **exclusively** to design a product as well as to control or monitor an activity during the manufacturing process; **and**
- (b) **directly linked** with production machinery described in items (1) or (2) above;

Example:

a computer aided design/manufacturing machine used exclusively to control or monitor, and directly linked to, machinery described in items (1) or (2) above.

- (4) the machinery is used exclusively during the manufacturing production process to test (other than destructive testing), inspect or measure materials and products being manufactured, including quality control testing. This is true whether for continuous or random testing, inspection or measuring during the manufacturing process.

Machinery that qualifies for a full exemption as machinery used directly in the manufacturing process includes but is not limited to:

numerically controlled machinery, thermal arc cutting systems, concrete mixers, pavement pulverizers and recyclers, motorized conveyors or dumper systems, boilers, motors, case packing machines (when used to package products for sale to the **ultimate** consumers), integrated chiller systems, clean rooms, shredders and hydraulic power units.

NON-QUALIFYING MACHINERY

Machinery used in the following activities **does not** qualify for a full exemption; however, such machinery may qualify for a partial exemption under the MRA:

- (1) machinery used to perform an activity **prior** to the first production stage of the manufacturing process;

Example:

inspection machinery used upon receipt of materials before the movement of the materials to the first manufacturing production machine.

- (2) machinery used to control or monitor an activity **after** the last production stage;

Example:

computer used to monitor machinery that cases and loads manufactured products.

- (3) machinery used to repair or maintain machinery;
- (4) machinery used to manufacture tools to be used in the manufacturing process unless such tools are sold as finished products;
- (5) a detached computer-aided design system (CAD) not directly linked to production machinery;
- (6) machinery used for destructive testing;
- (7) machinery used for research and development;
- (8) office equipment or data processing equipment;

Examples:

- computer used to maintain inventory control and job costing financial records;
- computer used both for employee scheduling and on the production line.

- (9) machinery used to pack products after the products have already been placed in their packaging for ultimate sale;

Example:

a machine that shrink-wraps a pallet holding 100 boxes of cereal.

- (10) machinery used in creating a prototype not intended to be sold.

APPLICABLE CERTIFICATES

CERT-101, *Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process*

REFERENCES

Conn. Gen. Stat. §12-412(34)

Machinery used in manufacturing

Conn. Agencies Regs. §12-412(34)-1

Machinery used directly in a manufacturing production process

SECTION III — FULL EXEMPTION FOR MATERIALS, TOOLS AND FUEL

(Manufacturers and Fabricators)

Processors **do not** qualify for a full exemption on purchases of materials, tools and fuel under Conn. Gen. Stat. §12-412(18).

Conn. Gen. Stat. §12-412(18) allows a full exemption for:

Production materials. *Sales of and the storage or use of materials ... tools and fuel or any substitute therefor, which become an ingredient or component part of tangible personal property to be sold or which are used directly ... in an industrial plant in the actual fabrication of the finished product to be sold. Sales of and the storage or use of materials, tools and fuel or any substitute therefor, when such products are used directly in furnishing of power to an industrial manufacturing plant or in the furnishing of gas, water, steam or electricity when delivered to consumers through mains, lines or pipes.*

The sale, lease, or rental of materials, tools and fuel is subject to tax as the sale of tangible personal property. Conn. Gen. Stat. §12-412(18) allows a full exemption on purchases of materials, tools and fuel for manufacturers and fabricators operating in an **industrial plant**. See Section I of this guide to see if the business qualifies as a manufacturer or a fabricator.

A qualifying manufacturer or fabricator must complete and issue **CERT-100, Materials, Tools and Fuel Certificate**, to the supplier to claim an exemption on purchases of materials, tools and fuel under Conn. Gen. Stat. §12-412(18). Only qualified manufacturers and fabricators may issue CERT-100. Processors, contractors, or other businesses may not issue this certificate.

MATERIALS

Conn. Gen. Stat. §12-412(18) provides manufacturers and fabricators with a full exemption on the following materials:

- materials **used directly** in an industrial plant in the actual fabrication of finished products to be sold;

Examples:

anodes	lubricants
carbon dioxide	nitrogen
catalysts	polishing compounds
chemicals	refrigerants
dyes	solvents
helium	

- materials that **become an ingredient or component part** of tangible personal property to be sold.

QUALIFYING MATERIALS

Use these general guidelines to determine whether materials are **used directly** in an industrial plant in the actual fabrication or manufacturing of finished products to be sold and therefore qualify for a full exemption:

- (1) materials used to clean or lubricate machinery that is used directly in the actual fabrication of finished products to be sold;

Examples:

- grease used to lubricate assembly line machinery;
- solvent used to clean assembly line machinery.

- (2) materials used to remove impurities from raw materials being fabricated into finished products to be sold;

Example:

fluids used in a production line filtration system.

- (3) materials used to make molds into which molten steel will be poured to make parts being fabricated into finished products to be sold;
- (4) materials consumed in the grinding, polishing, cutting or baking of products during the production process;

Examples:

- cubic boron nitride (CBN) applied to the cutting surface of grinding wheels used to grind products being fabricated;
- carbide tips applied to saw blades used to cut products being fabricated;
- muffles used inside a blast furnace to reduce atmospheric volume; or
- carbon dioxide, nitrogen and helium combined to generate a laser beam used during the production process to cut a product being manufactured.

- (5) materials that come in contact with and have a direct effect on the products being fabricated or manufactured.

Example:

gloves used to prevent the contamination of products being fabricated or manufactured.

Gloves and safety goggles worn for the protection of workers **do not qualify** for an exemption under Conn. Gen. Stat. §12-412(18). However, Conn. Gen. Stat. §12-412(91) exempts from tax the sale and the storage, use or other consumption of safety apparel. "Safety apparel" means any item of clothing or protective equipment worn by an employee for protection during the course of the employee's employment including, but not limited to: back belts, ear plugs, gloves, hard hats, lab coats, respiratory masks (including disposable), safety boots, safety glasses or goggles and visors. This exemption is not limited to manufacturers, fabricators or processors.

NON-QUALIFYING MATERIALS

Materials used in the following activities do not qualify for full exemption. However, such materials may qualify for partial exemption under the MRA:

- (1) materials used **prior to** the first production stage of the fabrication or manufacturing process;
- (2) materials used **after** the last production stage of the fabrication or manufacturing process;
- (3) materials used to conduct destructive testing;
- (4) materials used in research and development;
- (5) materials used for the benefit or safety of workers on the production line (except safety apparel fully exempt under Conn. Gen. Stat. §12-412(91));
- (6) materials used to create a prototype not intended to be sold.

TOOLS

Conn. Gen. Stat. §12-412(18) provides manufacturers and fabricators with a full exemption on purchases of tools **used directly** in an industrial plant in the actual fabrication of the finished product to be sold, including:

- hand tools;
- tools used in the operation of machinery;
- accessory tools that hold or align
 - a piece of work being fabricated; or
 - a tool used in actual fabrication; and
- nondestructive testing devices (other than machinery or component parts).

QUALIFYING TOOLS

Use these general guidelines to determine whether tools are **used directly** in an industrial plant in the actual fabrication of finished products to be sold:

- (1) tools in direct contact with, and used in the fabrication of, finished products to be sold;

Examples:

chisels	picks
cutters	punches
dies	reamers
drills	saws
grinding wheels	taps
honing stones	

- (2) tools that have a direct effect on finished products to be sold by holding or aligning tools in direct contact with raw materials or pieces of work being fabricated into such products;

Examples:

adapters	holders
brackets	inserts
chucks	jigs
die sets	quills

- (3) tools that have a direct effect on finished products to be sold by holding or aligning pieces of work that are being fabricated into such products;

Examples:

backing plates	plating racks
collets	stone holders
frames	straighteners
shims	

- (4) tools that adjust, regulate or repair machinery used directly in the actual fabrication of finished products to be sold;

Examples:

hammers
screwdrivers
wrenches

- (5) tools used to check the performance or output of machinery used directly in the actual fabrication of finished products to be sold;

- (6) tools used for nondestructive testing during the fabrication of finished products to be sold;

Example:

measuring tools, such as hand-held micrometers

- (7) tools used to make other tools to be sold, provided title transfers from seller to purchaser.

Example:

tools used to make molds, provided title to the mold transfers from the manufacturer to the customer.

NON-QUALIFYING TOOLS

Tools used in the following activities do not qualify for full exemption. However, such tools may qualify for partial exemption under the MRA:

- (1) tools used to make other tools (intended for use and not for sale) used directly in the actual fabrication of finished products to be sold;
- (2) tools used to inspect finished products to be sold after their actual fabrication is completed and no further refabrication is practicable;
- (3) tools used in destructive testing;
- (4) tools used in research and development;
- (5) tools used to create a prototype not intended to be sold.

FUEL

Conn. Gen. Stat. §12-412(18) provides manufacturers and fabricators with a full exemption on the following purchases of fuel:

- fuel used directly in an industrial plant in the actual fabrication of finished products to be sold;
- fuel used directly to furnish power to an industrial manufacturing plant.

For this exemption, **fuel** is a substance generally regarded as fuel, including but not limited to: coal, gas, oil, oxygen and acetylene.

QUALIFYING FUEL

Use these general guidelines to determine whether fuel is **used directly** in an industrial plant in the actual fabrication of finished products to be sold or is **used directly** to furnish power to an industrial manufacturing plant:

- (1) fuel used to provide a temperature or pressure required in the process of fabrication of finished products to be sold is **used directly** in actual fabrication;

Examples:

- oxygen used to apply pressure during the production process;
- acetylene used in a torch for cutting or welding;
- coal used in a furnace to apply heat to an item being fabricated or manufactured;

- (2) fuel used in an industrial manufacturing plant to generate power for machinery used directly in actual fabrication of finished products to be sold is **used directly** in the furnishing of power to an industrial manufacturing plant.

NON-QUALIFYING FUEL

Fuel used in the following activities does not qualify for a full exemption under Conn. Gen. Stat. §12-412(18). The fuel may qualify for a full exemption under Conn. Gen. Stat. §12-412(3) or §12-412(16) or a partial exemption under the MRA:

- (1) fuel used to heat or cool an industrial plant, where heating or cooling has only an incidental effect on the process of fabrication of finished products to be sold and is primarily for the comfort of workers at the plant;
- (2) fuel used in an industrial manufacturing plant to generate power for machinery not used directly in actual fabrication of finished products to be sold or in a manufacturing production process;
- (3) fuel used in destructive testing;
- (4) fuel used in research and development;
- (5) fuel used to create a prototype not intended to be sold.

FULL EXEMPTION FOR GAS, ELECTRICITY AND HEATING FUEL (Manufacturers and Fabricators)

In addition to the full exemption available under Conn. Gen. Stat. §12-412(18) for fuel used directly in an industrial plant in the actual fabrication of a finished product to be sold or to furnish power directly to an industrial manufacturing plant, Conn. Gen. Stat. §12-412(3) and §12-412(16) also provide full exemptions for gas, electricity and heating fuel. However, the qualifications for exemption under these statutes are not identical. A fabricator or manufacturer may not qualify for a full exemption under Conn. Gen. Stat. §12-412(3) or §12-412(16), yet may qualify for an exemption under Conn. Gen. Stat. §12-412(18).

A qualifying manufacturer or fabricator must complete and issue **CERT-115**, *Certificate for Exempt Purchases of Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant*, to the supplier to claim an exemption on purchases of gas, electricity or heating fuel under Conn. Gen. Stat. §12-412(3) or §12-412(16).

Conn. Gen. Stat. §12-412(3)(A) provides a full exemption for:

Certain utilities. (A) Gas and electricity ... *The sale, furnishing or service of gas, including bottled gas, and electricity when delivered to consumers through mains, lines, pipes or bottles for use ... (ii) directly in ... fabrication of a finished product to be sold or an industrial manufacturing plant, provided the exemption under subdivision (ii) shall only be allowed with respect to a metered building, location or premise at which not less than seventy-five per cent of the gas, including bottled gas, or electricity consumed at such metered building, location or premise is used for the purpose of such ... fabrication or manufacturing. Bottled gas as used in this subsection means L.P. (propane) gas.*

Conn. Gen. Stat. §12-412(16) provides a full exemption for:

Fuel for heating purposes. *Sales of fuel used for heating purposes ... (ii) in any building, location or premise utilized directly in ... fabrication of a finished product to be sold or an industrial manufacturing plant, provided the exemption under this subdivision (ii) shall only be allowed with respect to a building, location or premise in which not less than seventy-five per cent of the fuel used in such building, location or premise is used for the purpose of such ... fabrication or manufacturing.*

Mixed Use Locations

A manufacturer or fabricator may qualify for a full exemption on the purchase of gas, electricity or heating fuel for a building used in both manufacturing or fabrication and a non-qualifying activity, such as administration. If a building, location or premises is served by a **single meter** and is used for both fabrication or manufacturing and a non-qualifying activity, the purchaser must establish that either:

- **75% or more of the gas, electricity or heating fuel** consumed at a location, building or premises where fabrication of a finished product to be sold, or production in an industrial manufacturing plant takes place, is used for the manufacturing or fabrication (**usage test**); or
- **75% or more of the area** of a building, location or premises served by that meter or tank is used for manufacturing production or fabrication of a finished product to be sold (**square footage test**).

For a full exemption under Conn. Gen. Stat. §12-412(3) or §12-412(16), **manufacturing** and **fabricating** include pre-production and post-production activities if they occur at a building, location or premises served by a single meter. Therefore, qualifying areas include the actual fabrication or production area, as well as research and development areas and storage areas for raw materials or finished products. A manufacturing or fabricating facility must qualify as an industrial plant under the five-part test discussed in **PS 94(3.2)**, *Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant*. Also see page 5 for guidelines.

However, if there is one meter serving the area of the building used for fabrication or manufacturing (the qualifying portion of the building) and a **separate** meter for the administrative (nonexempt) portion, **only** the electricity used in the fabrication or manufacturing area is exempt from tax.

Example 1:

A building, served by one electric meter, is used both in manufacturing production and for administrative purposes. Eighty-five percent of the electricity is used directly in the manufacturing production process and fifteen percent is used for administrative purposes. The electricity used in this building is fully exempt under Conn. Gen. Stat. §12-412(3)(A).

Example 2:

A building, served by one electric meter, is used both in the fabrication of a finished product to be sold and for administrative purposes. Fifty percent of the electricity is used directly in the fabrication process and fifty percent is used for administrative purposes. However, eighty-five percent of the area of the building is used in the fabrication of a finished product to be sold and fifteen percent of the area is used for administrative purposes. The electricity used in this building is fully exempt under Conn. Gen. Stat. §12-412(3)(A).

Example 3:

A building, served by one electric meter, is used both in manufacturing production and for administrative purposes. Fifty percent of the electricity is used directly in the manufacturing production process and fifty percent is used for administrative purposes. However, sixty-five percent of the area of the building is used in manufacturing and thirty-five percent of the area is used for administrative purposes. The electricity used in this building is **not** fully exempt under Conn. Gen. Stat. §12-412(3)(A).

\$150 Exemption for Electricity (Manufacturers, Fabricators and Processors)

In addition to the exemption available under Conn. Gen. Stat. §12-412(3)(A) for electricity purchased for the specified uses, Conn. Gen. Stat. §12-412(3)(D) allows an exemption for the first \$150 charged per metered location each month for electricity not qualifying for a full exemption. This exemption applies to all purchases of electricity not exempted under subdivision (A), regardless of the use of such electricity. The customer does not have to furnish a certificate to the electric utility to qualify for this exemption. If a customer has more than one meter or account with an electric utility company, the \$150 exemption applies to **each** metered location of that customer, regardless of the number of accounts or meters of the customer. To determine an exemption under Conn. Gen. Stat. §12-412(3)(D), a **location** is a site at which a business operates. Thus, an electricity customer can have several metered locations if it has more than one shop or warehouse in Connecticut.

APPLICABLE CERTIFICATES

CERT-100 *Materials, Tools and Fuel Certificate*

CERT-115 *Certificate for Exempt Purchases of Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant*

REFERENCES

Conn. Gen. Stat. §12-412(3)

Certain utilities

Conn. Gen. Stat. §12-412(16)

Fuel for heating purposes

Conn. Gen. Stat. §12-412(18)

Production materials

Conn. Agencies Regs. §12-412(18)-1

Materials, tools and fuel used directly in an industrial plant in the actual fabrication of finished products to be sold

PS 94(3.2), *Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant*

Section IV — PARTIAL EXEMPTION FOR MACHINERY AND EQUIPMENT

(Manufacturers, Fabricators and Processors)

The Manufacturing Recovery Act of 1992 (the MRA), Conn. Gen. Stat. §12-412i, provides a partial exemption as a reduction of 50% of the sales price, including shipping and handling, for machinery and equipment, and replacement, repair, component and enhancement parts. Application of the MRA results in a lower tax on qualifying purchases. The MRA partial exemption was phased in over a five-year period, culminating on and after July 1, 1996, in a maximum exemption of 50% of the gross receipts or sales price.

Example:

A qualifying machine is purchased in November 1998 for \$10,000; the tax on the sales price is calculated as follows:

Sales price	\$10,000
Less:	
MRA partial exemption of 50%	<u>- 5,000</u>
Adjusted sales price	\$5,000
 Adjusted sales price	 \$5,000
Apply 6% sales tax	<u>x 6%</u>
Sales tax to be paid	\$300

The partial exemption is available for the purchase of a broader range of property than the full exemption for manufacturing machinery provided under Conn. Gen. Stat. §12-412(34). Likewise, the partial exemption may be used by a broader category of purchasers. Under Conn. Gen. Stat. §12-412(34), the full exemption is available only to manufacturers that purchase machinery and replacement, repair, component and enhancement parts for use directly in a manufacturing process. Under Conn. Gen. Stat. §12-412i, fabricators, processors and qualifying independent contractors may also qualify for a partial exemption on purchases of machinery. Manufacturers that do not qualify under Conn. Gen. Stat. §12-412(34) may qualify for a partial exemption on purchases of machinery, such as preprocess machinery, that do not qualify for a full exemption. Manufacturers, fabricators, processors and qualifying independent contractors may also qualify for a partial exemption on purchases of equipment or parts for the equipment.

The partial exemption under the MRA is not intended to replace the full exemption. If a purchase qualifies for exemption under both Conn. Gen. Stat. §12-412i and §12-412(34), only the full exemption under Conn. Gen. Stat. §12-412(34) applies.

A qualifying manufacturer, fabricator or processor must complete and issue to the supplier **CERT-109**, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*, to claim a partial exemption on purchases of machinery and equipment and repair, replacement, component and enhancement parts under the MRA.

Conn. Gen. Stat. §12-412i(b)(4), for the MRA partial exemption, defines **machinery** as:

the basic machine itself, including all of its component parts and contrivances such as belts, pulleys, shafts, moving parts, operating structures and all equipment or devices used or required to control, regulate or operate the machinery, including without limitation, computers and data processing equipment, together with all replacement and repair parts therefor, whether purchased separately or in conjunction with a complete machine, and regardless of whether the machine or component parts thereof are assembled by the taxpayer or another party.

Conn. Gen. Stat. §12-412i(b)(5), for the MRA partial exemption, defines **equipment** as:

any device separate from machinery but essential to a manufacturing, processing or fabricating process.

Equipment is *essential* **only** if the manufacturing, processing or fabricating process cannot continue without that equipment. A legal requirement for equipment, such as protective screens or railings for safety reasons, does not necessarily render equipment *essential*. Likewise, a practical necessity, such as ceiling lights, does not necessarily render equipment *essential*.

Machinery and equipment must be used **primarily** (chiefly) in a qualifying manufacturing, processing or fabricating activity for a partial exemption under Conn. Gen. Stat. §12-412i.

Examples:

- A machine used for two different functions, one that would qualify the machine for the MRA partial exemption and the other that would not, is used primarily in the qualifying activity **more than** 50% of the time.
- A machine used for three different functions is used primarily in the qualifying activity **more than** 33.33 % of the time.

QUALIFYING MACHINERY AND EQUIPMENT

The MRA provides a partial exemption for purchases of **machinery and equipment** used primarily in:

- (1) any stage of the manufacturing, processing or fabricating process:

- **from** the time any raw materials are received (receiving dock)
- **to** the time the product is ready for delivery or storage (loading dock).

Activities within the scope of the process qualifying for the MRA partial exemption include:

- weighing and testing materials upon receipt;
- tool room activities;
- overpacking (placing packages in a form to be sold at retail in large boxes);
- crating;
- stacking the boxes on pallets; and
- covering the pallets with shrinkwrap for shipment;

- (2) research and development for the manufacturing, processing or fabricating tangible personal property, more specifically an experimental or laboratory activity with its ultimate goal:

- the development of new products;
- the development of new uses for existing products; or
- the development or improvement of methods for producing products;

- (3) measuring or testing for manufacturing, processing or fabricating tangible personal property, including:

- nondestructive measuring or testing;
- destructive measuring or testing;
- alignment of machinery, equipment and tools;
- calibration of machinery, equipment and tools; and
- quality control measuring or testing;

- (4) maintaining or repairing any machinery or equipment described in (1), (2) or (3) above; or

- (5) metal finishing, including but not limited to:

- grinding, filing or sanding surfaces of metal items;
- removing excess metal with presses equipped with trimming dies or grinding wheels;
- examining the surface of metal to detect defects, such as dents, scratches or breaks;
- removing defects and filling an uneven surface with solder;
- smoothing the surface of an item to a specified finish with sandblasting or shot-blasting equipment;
- removing scale by dipping a metal forging in acid solution;
- heat treating to improve the physical properties of metal; or
- polishing a metal surface.

NON-QUALIFYING MACHINERY AND EQUIPMENT

Machinery and equipment used primarily in the following activities do not qualify for partial exemption:

- (1) in administration;
- (2) in general management;
- (3) in sales;
- (4) in any other activity not constituting manufacturing, processing or fabricating;
- (5) in retail-based manufacturing, processing or fabricating, including any establishment primarily engaged in business:
 - as a retailer of tangible personal property, which manufactures, processes or fabricates tangible personal property as an incidental part of its business;
 - as a retailer of services, which manufactures, processes or fabricates tangible personal property as an incidental part of its business; or
 - in furnishing, preparing or serving food, meals or drinks, which manufactures, processes or fabricates tangible personal property as an incidental part of its business.

Retail-based manufacturing includes but is not limited to retailers such as:

restaurants, grocery stores, caterers, meat and fish markets; bakeries, candy, nut and confectionery stores that process food products primarily for direct sale on the premises to consumers; photographic studios; artists; tailors; and establishments that primarily perform fabricating or processing services on the property of others on a retail basis (such services are taxable under Conn. Gen. Stat. §§12-407(2)(c) or (2)(g));

- (6) beyond the scope of the qualifying process;

Example:

Machinery or equipment used to load the packaged product into storage or delivery vehicles;

- (7) for testing or inspection for:
 - efficiency surveys;
 - management studies;
 - consumer surveys;

- other market research, advertising or promotional activities; or
- research for literary, historical or similar projects.

INDEPENDENT CONTRACTORS

Businesses that do not meet the full specifications to establish them as manufacturers, fabricators or processors, but perform the activities of manufacturing, fabricating, processing as subcontractors or perform specific related services for qualifying manufacturers, fabricators or processors, may still qualify for a partial exemption on purchases of machinery and equipment.

An independent contractor can purchase machinery and equipment partially exempt under the MRA if the contractor is primarily engaged in:

- (1) **manufacturing, processing or fabricating as a subcontractor** for a qualifying manufacturer, fabricator or processor;
- (2) **performing research and development**, for manufacturing, processing or fabricating;
- (3) **performing measuring and testing**, including adjusting and calibrating machinery, equipment and tools, for manufacturing, processing or fabricating; or
- (4) **maintaining or repairing** qualifying manufacturing, processing or fabricating machinery or equipment.

APPLICABLE CERTIFICATES

CERT-109, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*

REFERENCES

Conn. Gen. Stat. §12-412i

Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing

SN 93(1.1), *The Manufacturing Recovery Act of 1992 — Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating*

SECTION V — PARTIAL EXEMPTION FOR MATERIALS, TOOLS AND FUELS

(Manufacturers, Fabricators and Processors)

The Manufacturing Recovery Act of 1992 (the MRA), Conn. Gen. Stat. §12-412i, provides a partial exemption as a reduction of 50% of the gross receipts or sales price for materials, tools and fuels. Application of the MRA results in a lower tax paid on qualifying purchases. The MRA partial exemption was phased in over a five-year period, culminating on and after July 1, 1996 in a maximum exemption of 50% of the gross receipts or sales price, including shipping and handling.

Example:

A qualifying tool is purchased in May 1997 for \$500; the tax on the gross receipts is calculated as follows:

Tool sales price	\$500
Less	
MRA partial exemption of 50%	<u>- 250</u>
Adjusted sales price	\$250
 Adjusted sales price	 \$250
Apply 6% sales tax	<u>x 6%</u>
Sales tax to be paid	\$15

The partial exemption is available to a broader range of property than the full exemption for materials, tools and fuels provided under Conn. Gen. Stat. §12-412(18). Likewise, the partial exemption may be used by a broader category of purchasers. Under Conn. Gen. Stat. §12-412(18), the full exemption for materials, tools and fuel is available only to manufacturers and fabricators who use such items directly in a manufacturing or fabricating process. Under Conn. Gen. Stat. §12-412i, processors and independent contractors may qualify for a partial exemption on purchases of materials, tools and fuels. In addition, manufacturers and fabricators may qualify for a partial exemption on items not fully exempted under Conn. Gen. Stat. §12-412(18).

The partial exemption under the MRA is not intended to replace the full exemption. If a purchase qualifies for an exemption under both Conn. Gen. Stat. §12-412i and §12-412(18), Conn. Gen. Stat. §12-412(18) applies. For a partial exemption under the MRA, materials, tools and fuels do not have to be

used directly in the actual fabrication of finished products to be sold, as required under Conn. Gen. Stat. §12-412(18).

A qualifying manufacturer or fabricator must complete and issue to the supplier **CERT-108, Certificate of Partial Exemption — Materials, Tools and Fuels**, to claim a partial exemption on purchases of materials, tools and fuels under the MRA.

For purposes of the partial exemption under the MRA, an **industrial plant** is an establishment that has manufacturing, processing or fabricating of finished products to be sold as its predominant purpose and that is generally recognized as such. (**Predominant** means more than 50%.) An industrial plant does not include a cottage industry. In cottage industries, manufacturing, processing or fabricating is provided at a nonindustrial location, such as a residential dwelling or a building on the grounds of a residential dwelling. If the plant is not located in a commercial or industrial zone, or if it is located in a partially residential building, it is less likely to qualify as an industrial plant.

INDUSTRIAL PLANT GUIDELINES

Use these guidelines to determine whether an establishment has manufacturing, processing or fabricating of tangible personal property to be sold as its predominant purpose:

- (1) The floor space of the establishment must be predominantly devoted to manufacturing, processing or fabricating finished products to be sold;
- (2) The predominant number of employees working at the establishment must be working in manufacturing, processing or fabricating finished products to be sold;
- (3) The wages and salaries of employees working at the establishment must be predominantly wages and salaries of employees working in manufacturing, processing or fabricating finished products to be sold;

- (4) The costs of operating the establishment must be predominantly attributable to manufacturing, processing or fabricating finished products to be sold;
- (5) **Conversely**, if sales made at the establishment are predominantly of products manufactured, processed or fabricated elsewhere, it is more likely a retail establishment and the manufacturing, processing or fabricating aspect of the establishment is incidental to its retail characteristics.

Research and development activities are includable to qualify an establishment as an **industrial plant** to determine eligibility for a partial exemption. Measuring and testing activities are includable to qualify an establishment as an **industrial plant** to determine eligibility for a partial exemption. Research and development activities and measuring and testing activities, in and of themselves, **do** constitute manufacturing, fabricating or processing for purposes of the exemption.

QUALIFYING MATERIALS

The MRA partially exempts purchases of **materials** that:

- (1) become an ingredient or component part of tangible personal property to be sold (also fully exempt under Conn. Gen. Stat. §12-412(18));
- (2) are used or consumed in manufacturing, processing or fabricating tangible personal property to be sold;
- (3) are used or consumed in any process preparatory or related to manufacturing, processing or fabricating tangible personal property to be sold;
- (4) are used or consumed in measuring or testing tangible personal property to be sold;
- (5) are used in repairing and maintaining machinery and equipment qualifying for the MRA;
- (6) are used in a tool room to manufacture or repair tools qualifying for the MRA;
- (7) are used in a preparatory process for research and development;

- (8) are used in a preparatory process to prepare the materials to be used or consumed;
- (9) are used in a preparatory process to ready the machinery, equipment or tools used in the manufacturing, processing or fabricating process;
- (10) are needed to maintain a level of purity required for manufacturing, fabricating or processing activities.

QUALIFYING TOOLS

The MRA partially exempts purchases of **tools** that are:

- (1) used or consumed in manufacturing, processing or fabricating tangible personal property to be sold;
- (2) used or consumed in any process preparatory or related to manufacturing, fabricating or processing tangible personal property to be sold, such as:

- hand tools

Examples:

chisels	screwdrivers
hammers	wrenches
saws	

- tools that are used in the operation of machinery

Examples:

chisels	picks
cutters	punches
dies	reamers
drills	saws
grinding wheels	taps
honoring stones	

- accessory tools that:

- hold or align a piece of work being manufactured, processed or fabricated; or
- hold or align tools used in such processes;

Examples:

adaptors	inserts
brackets	jigs
chucks	quills
die sets	straighteners
holders	

- (3) used in measuring or testing tangible personal property to be sold;

- (4) used in repairing and maintaining machinery and equipment qualifying for the MRA;
- (5) used in a tool room to manufacture or repair tools qualifying for the MRA;
- (6) used in a preparatory process for research and development;
- (7) used in a preparatory process to prepare the materials to be used or consumed;
- (8) used in a preparatory process to ready the machinery, equipment or tools used in the manufacturing, processing or fabricating process.

QUALIFYING FUELS

The MRA partially exempts purchases of **fuels**, generally regarded as such, including but not limited to coal, gas, oil, oxygen and acetylene that are:

- (1) used or consumed in manufacturing, processing or fabricating tangible personal property to be sold;
- (2) used or consumed in any process preparatory or related to manufacturing, processing or fabricating tangible personal property to be sold;
- (3) used or consumed in measuring or testing tangible personal property to be sold;
- (4) used in repairing and maintaining machinery and equipment qualifying for the MRA;
- (5) used in a tool room to manufacture or repair tools qualifying for the MRA;
- (6) used in a preparatory process for research and development;
- (7) used in a preparatory process to prepare the materials to be used or consumed;
- (8) used in a preparatory process to ready the machinery, equipment or tools used in the manufacturing, processing or fabricating process; and
- (9) needed to maintain a level of purity required for manufacturing, fabricating or processing activities.

NON-QUALIFYING MATERIALS, TOOLS AND FUELS

Materials, tools and fuels used **primarily** (chiefly) in the following activities do **not** qualify for a partial exemption:

- (1) in administration;
- (2) in general management;
- (3) in sales;
- (4) in any other activity not constituting manufacturing, processing or fabricating;
- (5) in retail-based manufacturing, processing or fabricating, including any establishment primarily engaged in business:
 - as a retailer of tangible personal property, which manufactures, processes or fabricates tangible personal property as an incidental part of its business;
 - as a retailer of services, which manufactures, processes or fabricates tangible personal property as an incidental part of its business;
 - in furnishing, preparing or serving food, meals or drinks, which manufactures, processes or fabricates tangible personal property as an incidental part of its business.

Retail-based establishments include but are not limited to retailers such as:

restaurants, grocery stores, caterers, meat and fish markets; bakeries, candy, nut and confectionery stores that process food products primarily for direct sale on the premises to consumers; photographic studios; artists; tailors; and establishments that primarily perform fabricating or processing services on the property of others on a retail basis (such services are taxable under Conn. Gen. Stat. §12-407(2)(c) or (2)(g)).

- (6) beyond the scope of the qualifying process;

Example:

Machinery or equipment used to load the packaged product into storage or delivery vehicles.

(7) for testing or inspection for:

- efficiency surveys;
- management studies;
- consumer surveys; or
- other market research, advertising or promotional activities.

INDEPENDENT CONTRACTORS

Businesses that do not meet the full specifications to establish them as manufacturers, fabricators or processors, but perform the activities of manufacturing, fabricating, processing as subcontractors or perform specific related services for qualifying manufacturers, fabricators or processors, may still qualify for partial exemption on certain purchases.

An independent contractor may purchase materials, tools and fuels partially exempt under the MRA if the contractor is **primarily** engaged in the following activities **at an industrial plant** (see definitions of *primarily* and *industrial plant*, as they relate to independent contractors, on pages 9, 25 and 26):

- (1) performing manufacturing, processing or fabricating as a subcontractor for a qualifying manufacturer, fabricator or processor;
- (2) performing research and development for manufacturing, processing or fabricating;
- (3) performing measuring and testing for manufacturing, processing or fabricating; or
- (4) adjusting and calibrating qualifying manufacturing, fabricating or processing machinery, equipment or tools.

While a contractor primarily engaged in maintaining or repairing qualifying manufacturing, fabricating or processing equipment **may** qualify for a partial exemption on purchases of machinery and equipment, such contractor is **not eligible** for a partial exemption on purchases of materials, tools and fuels.

APPLICABLE CERTIFICATES

CERT-108, *Certificate of Partial Exemption — Materials, Tools and Fuels*

REFERENCES

Conn. Gen. Stat. §12-412i

Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing

SN 93(1.1), *The Manufacturing Recovery Act of 1992 — Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating*

SECTION VI — REPLACEMENT, REPAIR, COMPONENT AND ENHANCEMENT PARTS

(Manufacturers, Fabricators and Processors)

Component and enhancement parts are:

- (1) parts that did not previously exist on the machine and are new to the machine, **or**
- (2) separate parts that are purchased for assembly into a machine, but **not** machines unto themselves.

Component and enhancement parts may expand the capability of a machine or add a new function to the machine.

Replacement and repair parts are parts that replace existing parts of machinery, perform the same functions and have essentially the same capabilities as the parts being replaced.

MANUFACTURERS

- qualify for a full exemption under Conn. Gen. Stat. §12-412(34) on component, enhancement, replacement and repair parts for machinery used directly in a manufacturing production process;
- qualify under the MRA for a partial exemption on component, enhancement, replacement and repair parts for:
 - tools that qualify for full exemption under Conn. Gen. Stat. §12-412(18);
 - machinery that does not qualify for full exemption under Conn. Gen. Stat. §12-412(34);
 - equipment and tools that qualify for partial exemption under the MRA.

FABRICATORS

- qualify under the MRA for a partial exemption on component, enhancement, replacement and repair parts for:
 - tools qualifying for full exemption under Conn. Gen. Stat. §12-412(18);
 - machinery, equipment and tools that qualify for a partial exemption under the MRA.

PROCESSORS

- qualify under the MRA for a partial exemption on component, enhancement, replacement and repair parts for machinery, equipment and tools that qualify for a partial exemption under the MRA.

FULL EXEMPTION

A full exemption under Conn. Gen. Stat. §12-412(34) for component, enhancement, replacement and repair parts is available only to qualifying manufacturers.

Conn. Gen. Stat. §12-412(34) provides a full exemption for parts by including them under the definition of machinery:

... includes all of its component parts and contrivances, such as belts, pulleys, shafts, moving parts, operating structures and equipment or devices, which component parts and contrivances are used or required to control, regulate or operate the machinery or to enhance or alter its productivity or functionality, whether such component parts and contrivances are purchased separately or in conjunction with such machine and all replacement and repair parts for the basic machine or for its component parts and contrivances, whether such replacement or repair parts are purchased separately or in conjunction with such machine....

The full exemption is available under this section for component, enhancement, replacement and repair parts of machinery used directly in a manufacturing production process **whether or not** those parts are sold in the same transaction with the basic machine.

A full exemption for component and enhancement parts is available under Conn. Gen. Stat. §12-412(73) to manufacturers or persons who assemble the parts on behalf of manufacturers into or onto a qualifying machine **before** that machine is used directly in a manufacturing process. This exemption does **not** apply to repair or replacement parts.

Conn. Gen. Stat. §12-412(73) provides a full exemption for:

Component parts for assembly of manufacturing machinery. *The sales of any part of a machine purchased exclusively for the purpose of assembling a machine for use directly in a manufacturing production process, provided the purchaser submits a certified statement at the time of such purchase, on a form prepared by the commissioner of revenue services, certifying that such part is purchased exclusively for use in a machine to be assembled by the purchaser, or someone acting on behalf of the purchaser, and that such machine shall be used directly in a manufacturing production process. The purchaser shall prepare a record of the use of such part which shall be maintained by the purchaser for a period of not less than three years following the date of purchase.*

Component and enhancement parts qualify for this exemption only when purchased exclusively for assembly into or onto qualifying machinery **prior** to the time the machine is put into actual production. However, **either** a manufacturer or a person assembling machinery on behalf of a manufacturer may purchase component and enhancement parts under this exemption. Under Conn. Gen. Stat. §12-412(73), if a new machine and the component and enhancement parts are purchased at the same time, from the same vendor or different vendors, the component and enhancement parts are exempt if they are purchased exclusively for assembly into or onto the machine to enhance the function of the machine in some way. In other words, the parts are **not** replacement parts for some future time. The exemption applies through the assembly and testing stages to the time when the assembled machine is ready to be used in production. This exemption does not apply to other component or enhancement parts purchased separately. The

purchaser need not be a manufacturer as long as the machine will be used in the manufacturing production process.

SOFTWARE

Canned, or prewritten, software is a component or enhancement part of machinery used directly in a manufacturing production process. Canned software purchased at any time by a manufacturer for use on qualifying machinery qualifies for a full exemption under Conn. Gen. Stat. §12-412(34). Canned software purchased in a separate transaction from qualifying machinery for assembly into new machinery qualifies for full exemption under Conn. Gen. Stat. §12-412(73), provided the purchase is made **and** the software is assembled into the machine before the machine is used in actual production, whether the software is purchased by a manufacturer or by a person assembling a machine on behalf of a manufacturer. See Section VIII of this guide for more detailed information on software.

A qualifying manufacturer, or a person who assembles component or enhancement parts on behalf of a qualifying manufacturer, must complete and issue **CERT-101, Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process**, to the supplier to claim a full exemption on purchases of component, enhancement, replacement or repair parts under Conn. Gen. Stat. §12-412(34) or §12-412(73).

PARTIAL EXEMPTION

The purchase of a component, enhancement, replacement or repair part may not qualify for a full exemption under Conn. Gen. Stat. §12-412(34) or Conn. Gen. Stat. §12-412(73) because the machinery onto which the part is assembled was not purchased by a manufacturer or will not be used in a manufacturing process. However, a partial exemption for parts is available to manufacturers, fabricators and processors for parts for qualifying machinery, equipment and tools under the MRA. The partial exemption on component, enhancement, replacement and repair parts is available as a 50 percent reduction of the sales price for purposes of calculating the tax.

The partial exemption is provided for component, enhancement, replacement and repair parts of machinery by including them under the definition of machinery. Conn. Gen. Stat. §12-412i(b)(4) defines **machinery** as:

the basic machine itself, including all of its component parts and contrivances such as belts, pulleys, shafts, moving parts, operating structures and all equipment or devices used or required to control, regulate or operate the machinery, including without limitation, computers and data processing equipment, together with all replacement and repair parts therefor, whether purchased separately or in conjunction with a complete machine, and regardless of whether the machine or component parts thereof are assembled by the taxpayer or another party.

The MRA also provides a partial exemption for component, enhancement, replacement and repair parts of equipment and tools. While not specifically stated, this interpretation can be drawn from the MRA's partial exemption of materials, tools and fuels:

- *used in a process preparatory or related to the manufacturing, processing or fabricating of tangible personal property to be sold, and*
- *used or consumed in the manufacturing, processing or fabricating of tangible personal property to be sold.*

Therefore, parts purchased for qualifying tools and equipment also qualify for a partial exemption under the MRA.

Component, enhancement, replacement and repair parts qualify for a partial exemption under the MRA whether they are purchased in the same transaction with, or separately from, qualifying machinery, equipment or tools. A partial exemption for parts is available through the assembly and testing stages of qualifying machinery, equipment or tools, as well as during actual production. Parts purchased separately for assembly into a machine that would qualify for exemption under the MRA, had it been purchased fully assembled, also qualify for the MRA exemption.

All software, whether canned, custom or customized, that is purchased **in the same transaction** with the machine on which the software is used, or as component parts to be assembled into or onto a new machine, may qualify for a partial exemption under the MRA. Canned, or prewritten, software purchased in the same **or** a separate transaction from the purchase of machinery is treated as the purchase of a component or enhancement part. See Section VIII of this guide for more detailed information on software.

A qualifying manufacturer, fabricator or processor must complete and issue **CERT-109**, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*, to the supplier to claim a partial exemption on purchases of component, enhancement, replacement or repair parts under the MRA.

REDUCED RATE AND REFUND REPEALED

For sales made before January 1, 1999, Conn. Gen. Stat. 12-408(1)(A) provided a reduced tax rate of **5½%** for purchases of replacement or repair parts for exclusive use in machinery qualifying for a full exemption under Conn. Gen. Stat. §12-412(34) and used directly in a manufacturing production process. Manufacturers purchasing replacement and repair parts for manufacturing machinery were afforded this reduced tax rate, in addition to the partial exemption available under the MRA for the parts. Manufacturers were also eligible for a refund of tax paid under Conn. Gen. Stat. 12-412d. Effective January 1, 1999, the reduced rate provision in Conn. Gen. Stat. §12-408(1)(A) and §12-412d were repealed and replaced by a full exemption under Conn. Gen. Stat. §12-412(34).

REPAIR AND MAINTENANCE SERVICES

Neither the full nor the partial exemption applies to services. Most maintenance and repair services are fully taxable at 6%.

Example:

A processor purchases a machine partially exempt under the MRA in January, 1997. The machine breaks down and needs to be repaired in July, 1999. The repair parts cost \$250 and repair labor is \$120. The processor completes and issues **CERT-109**, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*, to the supplier to purchase the repair parts under the MRA partial exemption. The repair is taxable as follows:

Repair parts	\$250.00
Less:	
the MRA partial exemption (50%)	- 125.00
Adjusted gross receipts	\$125.00
Adjusted gross receipts	\$125.00
Apply 6% sales tax	x .06
Sales tax due on repair parts	\$7.50
Repair labor	\$120.00
Apply 6% sales tax	.06
Sales tax due on repair labor	\$7.20
Repair parts sales tax	7.50
Repair labor sales tax	+ 7.20
Total sales tax due	\$14.70

However, a full exemption for the following services was added by Public Act 99-173, §27, for sales occurring on and after July 1, 1999:

Sales, use or other consumption of:

- (A) calibration services for machinery, equipment or instrumentation used in a manufacturing production process; or
- (B) other sales, use or other consumption of services or compliance practices associated with registration and compliance of quality management and quality assurance standards as part of standards created by the International Organization of Standards. For purposes of this subdivision, "calibration services" means independent inspection services performed to verify accuracy in the provision, calibration or recalibration of equipment used to test, measure, monitor or gauge any quality, process or environmental equipment used in conjunction with maintaining quality standards or meeting regulatory requirements.

APPLICABLE CERTIFICATES

CERT-101, *Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process*

CERT-109, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*

REFERENCES

Conn. Gen. Stat. §12-412(34)
Machinery used in manufacturing

Conn. Gen. Stat. §12-412(73)
Component parts for assembly of manufacturing machinery

Conn. Gen. Stat. §12-412i
Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing

SN 93(1.1), *The Manufacturing Recovery Act of 1992 — Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating*

Public Act 99-173, §27

Section VI SUMMARY

	Replacement, Repair, Component and Enhancement Parts purchased by:	Full Exemption from Sales and Use Taxes available under:	Partial Exemption from Sales and Use Taxes available under:
Prior to use in production only	A non-manufacturer or the manufacturer for assembly to create a new manufacturing machine	Conn. Gen. Stat. §12-412(73) (M)	
Prior to or during use in production	A manufacturer for assembly by the manufacturer or a non-manufacturer onto or into machinery that is fully exempt under Conn. Gen. Stat. §12-412(34) (whether or not purchased with machinery)	Conn. Gen. Stat. §12-412(34) (M)	
	Any person for assembly onto or into machinery that is partially exempt under the MRA		Conn. Gen. Stat. §12-412i (M,F,P)
	Any person for assembly onto or into equipment that is partially exempt under the MRA		Conn. Gen. Stat. §12-412i (M,F,P)
	Any person for assembly onto or into a tool that is fully exempt under Conn. Gen. Stat. §12-412(18)		Conn. Gen. Stat. §12-412i (M,F)
	Any person for assembly onto or into a tool that is partially exempt under the MRA		Conn. Gen. Stat. §12-412i (M,F,P)
Table Key: Manufacturer = M Fabricator = F Processor = P			

SECTION VII — LABOR AND SERVICES

(Manufacturers, Fabricators and Processors)

Certain enumerated services are subject to tax in the State of Connecticut. This section focuses on common services related to manufacturing, fabricating and processing. A complete list of taxable services can be found in Conn. Gen. Stat. §12-407(2). The full and partial manufacturing exemptions apply only to tangible personal property, not to services.

SERVICES TO REAL PROPERTY

This section focuses on services to real property as they apply to commercial property, industrial property and the new construction of such property. **IP 99(19)**, *A Guide to Connecticut Sales and Use Taxes for Building Contractors*, and Conn. Agencies Regs. §12-407(2)(i)(I)-1 contain more detailed information on services to real property.

Manufacturers, fabricators and processors are the consumers of and must pay tax on all services to real property provided at their industrial plants, machine shops, warehouses or any other commercial or industrial site unless the services provided qualify as services rendered in the construction of new real property.

Any business, including a manufacturer, fabricator or processor, doing business with a nonresident contractor may be held personally liable for payment of any state taxes owed by the nonresident contractor in fulfilling the contract. Nonresident contractors doing business in the State of Connecticut must post a bond or make a deposit with the Commissioner of Revenue Services to secure payment of Connecticut taxes. See **IP 99(19)**, *A Guide to Connecticut Sales and Use Taxes for Building Contractors*, for more information.

Services to commercial or industrial real property include, but are not limited to:

air conditioning	masonry
carpentry	painting
carpeting	paving
demolition	plastering
electrical	plumbing
elevator work	refuse removal
escalator work	roofing
excavating	sandblasting
fencing (chain link)	siding
flooring	system/unit installation*
foundation work	structural inspection
heating	ventilation
lighting systems	wallpapering
management	welding

- * The installation of **systems/units** that become affixed to real property is a service to real property unless the systems/units qualify as machinery used directly in the manufacturing production process. Installation of machinery used directly in the manufacturing production process is **not** a service to real property, even if it is permanently affixed to real property. This is discussed in detail later in this section.

Such systems/units include but are not limited to:

alarm systems
central air conditioning units
central vacuuming units
furnaces (boilers and burners)
modular lighting units
pumps
refrigeration units
water heaters

Services to industrial or commercial real property exclude:

Services rendered in the **voluntary** evaluation, prevention, treatment, containment or removal of hazardous waste, as defined in Conn. Gen. Stat. §22a-115, or other contaminants of air, water or soil. See **SN 95(17)**, *Certain Environmental Services Excluded from Sales and Use Taxes*, for more information.

TAXABILITY OF SERVICES TO REAL PROPERTY

Services to real property are taxable when provided to commercial and industrial property. Charges for services include the actual charge for labor performed, plus any markup on materials, overhead expenses and reimbursed expenses incorporated into the final bill. Services connected with the construction of new commercial or industrial real property are not subject to tax. Real property refers to land, buildings and materials permanently affixed to land and buildings.

Commercial Property: Real property where buying, selling or leasing of goods or services usually takes place. This category includes, but is not limited to: restaurants, retail stores, office buildings, gas stations and similar property and the yards and grounds surrounding such establishments, including warehouses and garages.

Industrial Property: Real property where manufacturing or fabricating activities take place. Industrial property includes the industrial plant and the yard and grounds surrounding the industrial plant, including warehouses and shipping docks.

New Construction: Services directly connected with:

- the construction of a new building;
- the construction of a new addition that expands the cubic footage of an existing building;
- the replacement of the entire internal structure of a building, including new floors, support columns, walls, mechanical and electrical systems;
- site improvements to the real property that put the property to a new use, such as the construction of roadways, walkways (concrete or asphalt) and parking lots; or
- the initial finish work to the interior of a building if there was no previous use of the space.

With a few exceptions, *new construction* generally ends when the Certificate of Occupancy (C.O.) is issued.

MAINTENANCE, LANDSCAPING AND JANITORIAL SERVICES

Maintenance, landscaping and janitorial services are subject to tax under Conn. Gen. Stat. §12-407(2)(i)(X), §12-407(2)(i)(V) and §12-407(2)(i)(Y), whether the services are to existing property or new construction. Manufacturers, fabricators and processors are the consumers of and must pay tax on all charges for maintenance to real property, landscaping and janitorial services provided at their industrial plant, machine shop, warehouse or any other commercial or industrial site, including all grounds. Services rendered in the care and maintenance of the buildings or grounds are taxable, including but not limited to: janitorial work, the installation of fences (other than chain link fences or fences to contain livestock on a farm) and walls, snow plowing, lawn mowing, pruning, cleaning gutters or drains and the installation of irrigation/sprinkler systems. The installation of chain link fences is taxable as a service to commercial or industrial property.

FABRICATION LABOR

Conn. Gen. Stat. §12-407(2)(c) imposes tax on fabrication labor. The term **fabrication labor** applies to the labor rendered in:

the producing, fabricating, processing, printing or imprinting of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating, processing, printing or imprinting...

While fabrication labor is subject to tax, such labor may be purchased exempt from tax when physically incorporated into a finished product to be sold. To purchase fabrication labor exempt from tax, a manufacturer, fabricator or processor must issue a *Connecticut Sales and Use Tax Resale Certificate* to the provider of the services.

Example:

A manufacturer of hinges hires a subcontractor to plate the hinges. Because the manufacturer will be selling the hinges, the plating labor may be purchased exempt from tax, as the labor is incorporated into the product.

INSTALLATION LABOR

The installation of systems/units that are affixed to real property is a service to real property. Services to existing commercial and industrial real property are taxable. However, the installation of qualifying machinery and equipment used in a fabricating, processing or manufacturing production process is not subject to tax. Installation labor for qualifying machinery and equipment is not a service to real property under Conn. Gen. Stat. §12-407(2)(i)(I), even if the machinery or equipment is affixed to the real property, if:

- the installation is of machinery and the machinery qualifies for either a full exemption under Conn. Gen. Stat. §12-412(34) or a partial exemption under the MRA;
- the installation is of equipment and the equipment qualifies for a partial exemption under the MRA; and
- the labor charges rendered in the installation of machinery or equipment are separately stated from other services to real property provided at the facility.

Installation is limited to those services necessary to make the machinery operable.

If the machinery or equipment is relocated inside an industrial manufacturing plant, the reinstallation of the machinery is not taxable even if such machinery or equipment is affixed to the real property under the conditions stated above.

Example 1:

A manufacturer hires a contractor to relocate a machine used in the manufacturing production process to another location in the manufacturing plant. The machine is currently installed on a concrete pad. As part of the reinstallation, the contractor removes the existing concrete pad from the production floor and relocates the machine onto a new concrete pad. The labor to create a new concrete pad and reinstall the machine onto the concrete pad in the new location is not subject to tax.

Example 2:

A fabricator purchases machinery qualifying for a partial exemption under the MRA for the fabrication of finished products to be sold. An electrical contractor installs the machinery and provides all electrical work

necessary. In addition to running a dedicated electrical line to the new machine, the electrician also rewires the entire production area, as the wiring is outdated and poses a potential fire hazard. The labor to install the machine, including running the dedicated electrical line to the machine, is not subject to tax. However, rewiring the entire production area is a service to real property and is therefore fully taxable. Labor charges for the installation of the machine must be separately stated from the charges for rewiring the production area.

Example 3:

A processor purchases equipment qualifying for a partial exemption under the MRA. In addition to the installation of the equipment, the processor has a new ventilation system installed to improve the air quality in the plant for the benefit of the employees. The labor to install the equipment is not subject to tax. However, the installation of the ventilation system for the benefit of the employees is a service to real property and is fully taxable. Labor charges to install the equipment must be separately stated from the charges to install the ventilation system.

ASSEMBLY LABOR

Assembly labor is fabrication labor and is therefore subject to tax. However, if tangible personal property is exempt under Conn. Gen. Stat. §12-412 where it is sold fully assembled and ready for use, then charges for labor to assemble the component parts of the property into a functioning unit are not taxable.

If component or enhancement parts are purchased fully exempt under Conn. Gen. Stat. §12-412(34) or §12-412(73), the labor by an independent contractor to assemble the parts into or onto manufacturing machinery is not taxable as fabrication labor under Conn. Gen. Stat. §12-407(2)(c). This applies to component parts assembled to create a new machine, as well as to component and enhancement parts assembled onto a fully assembled machine.

If component or enhancement parts are purchased partially exempt under the MRA, the labor by an independent contractor to assemble the parts into or onto machinery, equipment or tools is not taxable as fabrication labor under Conn. Gen. Stat. §12-407(2)(c). This applies to component parts assembled to create a new machine, as well as to component or enhancement parts assembled onto a fully assembled machine.

REPAIR LABOR

Repair and maintenance services to machinery, equipment and tools are subject to tax under Conn. Gen. Stat. §12-407(2)(i)(DD) as repair and maintenance services to any item of tangible personal property. This includes the sale of any contract of warranty or service for any such item. Repair services to machinery, equipment and tools may also be taxable under Conn. Gen. Stat. §12-407(2)(i)(Q), as repair services to any electrical or electronic device. Conn. Agencies Regs. §12-407(2)(i)(DD)-1 defines the term **repair** to mean:

to mend or bring back to working order or operating condition an item of tangible personal property that is broken, damaged, malfunctioning or defective. The term "repair" does not include the service of installing new parts or accessories that are not replacements for existing parts or accessories.

See Conn. Agencies Regs. §§12-407(2)(i)(DD)-1 and 12-407(2)(i)(Q)-1 for more information.

Repair and maintenance services include, but are not limited to:

- cleaning machinery, equipment or tools;
- maintaining or repairing machinery, equipment or tools;
- replating grinding wheels;
- sharpening cutting tools; and
- retipping saw blades.

MAINTENANCE, REPAIR AND WARRANTY CONTRACTS

Conn. Gen. Stat. §12-407(2)(i)(DD) imposes tax on “any repair or maintenance service to any item of tangible property including **any contract of warranty or service related to any such item**” (emphasis added). Any renewal or exercise of an option to extend the terms of the contract is subject to tax.

CALIBRATION SERVICES

Conn. Gen. Stat. §12-412, as amended by Public Act 99-173, §27, exempts on and after July 1, 1999:

Sales, use or other consumption of (A) calibration services for machinery, equipment or instrumentation used in a manufacturing production process; or (B) other sales, use or other consumption of services or compliance practices associated with registration and compliance of quality management and quality assurance standards as part of standards created by the International Organization of Standards. For purposes of this subdivision, "calibration services" means independent inspection services performed to verify accuracy in the provision, calibration or recalibration of equipment used to test, measure, monitor or gage any quality, process or environmental equipment used in conjunction with maintaining quality standards or meeting regulatory requirements.

ENGINEERING SERVICES

Engineering services, including engineering consulting services, are not enumerated as taxable services under Conn. Gen. Stat. §12-407(2) and are therefore not subject to tax.

BUSINESS ANALYSIS, MANAGEMENT, MANAGEMENT CONSULTING AND PUBLIC RELATION SERVICES

In general, business analysis, management, management consulting and public relations services are subject to tax under Conn. Gen. Stat. §12-407(2)(i)(J) if they relate to a service recipient’s core business activities, as defined in subsection (h) of Conn. Agencies Regs. §12-407(2)(i)(J)-1, or human resource management activities, as defined in subsection (i) of the same regulation. Refer to Conn. Agencies Regs. §12-407(2)(i)(J)-1 for more information.

ENVIRONMENTAL CONSULTING SERVICES

Environmental consulting services are not subject to tax. Environmental consulting services are statutorily excluded from taxable business management consulting services. Some examples of nontaxable environmental consulting services include designing a remedial plan to remove hazardous materials or providing training to the employees of a manufacturer to ensure compliance with state environmental laws.

See **SN 95(17)**, *Certain Environmental Services Excluded from Sales and Use Taxes*, for more information.

APPLICABLE CERTIFICATES

Connecticut Sales and Use Tax Resale Certificate

CERT-104, *New Construction Certificate*

REFERENCES

Conn. Gen. Stat. §12-407(2)

Definitions

Conn. Gen. Stat. §12-410

Presumptions and resale certificates

Conn. Gen. Stat. §12-412

Exemptions

Conn. Agencies Regs. §12-407(2)(i)(J)-1

Business analysis, business management, business management consulting and business public relations services

Conn. Agencies Regs. §12-407(2)(i)(DD)-1

Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty

Conn. Agencies Regs. §12-407(2)(i)(Q)-1

Repair services to any electrical or electronic device

Public Act 99-173, §27

SN 95(17), *Certain Environmental Services Excluded from Sales and Use Taxes*

IP 99(19), *A Guide to Connecticut Sales and Use Taxes for Building Contractors*

Section VII SUMMARY

Services	Performed with respect to	Taxability
Services to existing commercial or industrial real property	Land, buildings and materials permanently affixed to land and buildings, other than machinery exempt under Conn. Gen. Stat. §12-412(34) and machinery and equipment partially exempt under the MRA	Fully taxable at 6%
Maintenance to real property, landscaping and janitorial services	Land and buildings of existing real property or new construction	Fully taxable at 6%
Fabrication labor	Materials	Fully taxable at 6% unless labor is incorporated into finished product to be sold
Installation labor	Machinery and equipment	Not subject to tax
Assembly labor	Component parts	Exempt from tax when performed to qualifying property
Repair and maintenance services, excluding calibration services	Machinery, equipment and tools (all tangible personal property)	Fully taxable at 6%
Engineering services	Manufacturing, processing and fabrication	Not subject to tax
Business analysis, management, management consulting and public relation services	Manufacturing, processing and fabrication	Fully taxable at 6% if they relate to a service recipient's core business activities or human resource management activities
Environmental consulting services	Manufacturing, processing and fabrication	Not subject to tax

SECTION VIII — COMPUTERS, SOFTWARE AND COMPUTER SERVICES

(Manufacturers, Fabricators and Processors)

COMPUTERS

The sale, lease or rental of computers is subject to tax as the sale of tangible personal property. However, computers may qualify for a full or partial exemption under Conn. Gen. Stat. §12-412(34), §12-412(73) or §12-412i.

FULL EXEMPTION

A full exemption for computers qualifying as machinery used directly in the **manufacturing production process** is provided under Conn. Gen. Stat. §12-412(34). A full exemption for computers as component parts of machinery used directly in the manufacturing production process is provided under Conn. Gen. Stat. §12-412(34) and §12-412(73). A full exemption for purchases of computers as machinery or component parts of machinery is available only to qualifying manufacturers or to individuals who assemble such component parts on behalf of qualifying manufacturers into or onto a machine or assemble them to create a new machine.

Qualifying computers include:

- computers as component parts of machinery, purchased exclusively for assembling or building a machine used directly in a manufacturing production process or for installation into or onto a new machine;
- computers used exclusively during the manufacturing production process to test (other than destructive testing) or measure materials and products being manufactured;
- computer aided design/computer aided manufacturing (CAD/CAM) machinery or any computers that are used exclusively to:
 - control or monitor an activity during the manufacturing production process; **or**
 - design a product as well as control or monitor an activity during the manufacturing production process, **and** that are **directly linked with machinery** that either:

- (1) directly transforms, or has a direct effect upon, the form, composition or character of raw materials being manufactured into a product possessing a new name, nature and use that is intended for sale, **or**
- (2) is used predominantly (more than 50%) on the production line to perform an activity during the manufacturing production process.

Example:

A computer used exclusively to monitor the polishing of copper wire being manufactured and that is directly linked to a machine that will cut the wire to a 12 inch length qualifies for full exemption.

Non-qualifying computers include but are not limited to computers used:

- to control or monitor machinery used directly in the manufacturing production process as described in (1) or (2) above that is also used for administrative purposes;

Example:

a computer used on a production line to control the output of a machine used in the manufacturing production process and that is also used to maintain inventory control.

- exclusively to design a product that are not linked to production machinery;

Example:

a computer aided design system that stands alone.

- to control or monitor an activity occurring **prior** to the first production process or **following** the completion of the manufacturing production process;

Example:

a computer used to control or monitor machinery that cases and loads manufactured products onto delivery trucks.

Computers not meeting the requirements for a full exemption may still qualify for a partial exemption under the MRA.

PARTIAL EXEMPTION

A partial exemption for computers qualifying as machinery, equipment or component parts of machinery or equipment is provided under the MRA. Manufacturers, fabricators and processors may be eligible for a partial exemption on such purchases of computers.

Machinery qualifying for a partial exemption under the MRA includes operating structures and all equipment or devices used or required to control, regulate or operate the machinery, including, without limitation, computers and data processing equipment. Computers that do not qualify for a full exemption may qualify for a partial exemption. In addition, computer and data processing equipment used or required to control, regulate or operate machinery qualifying for a full or partial exemption need not be linked directly to such machinery to qualify for a partial exemption.

Qualifying computers include computers used primarily (chiefly):

- in research and development for manufacturing, processing or fabricating tangible personal property;
- in measuring or testing for manufacturing, processing or fabricating tangible personal property; and
- at any stage of the manufacturing, processing or fabricating processes from the time any raw materials are received to the time the product is ready for delivery or storage, including overpacking and crating.

Non-qualifying computers include but are not limited to computers used primarily (chiefly):

- in administration;
- in general management;
- in sales;
- in any other activity not constituting manufacturing, processing or fabricating;
- in retail-based manufacturing, processing or fabricating, which includes any establishment primarily engaged in business:
 - as a retailer of tangible personal property, which manufactures, processes or fabricates tangible personal property as an incidental part of its business;

- as a retailer of services, which manufactures, processes or fabricates tangible personal property as an incidental part of its business; or
- in furnishing, preparing or serving food, meals or drinks, which manufactures, processes or fabricates tangible personal property as an incidental part of its business.

Retail-based establishments include but are not limited to retailers such as:

restaurants, grocery stores, caterers, meat and fish markets; bakeries, candy, nut and confectionery stores that process food products primarily for direct sale on the premises to consumers; photographic studios; artists; tailors; establishments that primarily perform fabricating or processing on the property of others on a retail basis (such services are taxable under Conn. Gen. Stat. §12-407(2)(c) or (2)(g)).

- beyond the scope of the qualifying process;

Example:

computers used to monitor the loading of the packaged product into storage or delivery vehicles.

- for testing or inspection for:
 - efficiency surveys,
 - management studies,
 - consumer surveys,
 - other market research, advertising or promotional activities, or
 - research in connection with literary, historical or similar projects.

SOFTWARE

The sale, lease, rental, or licensing of canned or prewritten software is subject to tax as the sale of tangible personal property. Custom and customized software is subject to tax as the sale of computer services. However, software may qualify for a full or partial exemption under Conn. Gen. Stat. §12-412(34), §12-412(73) or §12-412i as a component part of qualifying machinery and equipment or as computer services purchased in connection with qualifying machinery and equipment.

CANNED SOFTWARE

Canned or prewritten software is software produced for a general class of users, transferable to other users with little, if any, modification.

Full Exemption

Canned software is a *component or enhancement part* of machinery used directly in the manufacturing production process. Therefore, manufacturers may purchase canned software exempt from tax under Conn. Gen. Stat. §12-412(34) **whether or not** such canned software is purchased from the same vendor and **whether or not** it is purchased in the **same transaction** with qualifying machinery on which such software is to be used.

Under Conn. Gen. Stat. §12-412(73), a manufacturer, or a person who assembles component parts on behalf of a manufacturer, may purchase canned software as a component part of qualifying machinery for assembly into or onto an existing machine if the machine has not yet been put into actual production. Under this same exemption, a manufacturer, or a person who assembles component parts on behalf of a manufacturer, may purchase canned software and other component parts to be assembled in creating a new machine that will be used directly in a manufacturing production process. Canned software qualifies for this exemption only when purchased exclusively for assembly into or onto qualifying machinery before the machine is put into actual production.

Partial Exemption

Manufacturers, fabricators and processors may purchase canned software partially exempt from tax, as follows:

- canned software used or required to control, regulate or operate machinery qualifying for a partial exemption under the MRA;
- canned software used in research and development for manufacturing, processing or fabricating tangible personal property;
- canned software used in measuring or testing for manufacturing, processing or fabricating tangible personal property;

- canned software used at any stage of manufacturing, processing or fabricating from the time any raw materials are received to the time the product is ready for delivery or storage, including overpacking and crating.

Canned software installed in a computer that is not directly linked to machinery used in actual production qualifies for a partial exemption.

CUSTOM AND CUSTOMIZED SOFTWARE

Custom software is software uniquely created for an individual user or an individual system.

Customized software is software that is modified, customized, adapted or otherwise changed for a particular user or system resulting in software that has been customized to such a degree that it bears little resemblance to any but the most basic functions of the prewritten software on which it was based.

The development or creation of custom computer software is subject to tax as a computer service. The customization of canned computer software is also subject to tax as a computer service. However, licensing fees, if they are for the mere use and possession of custom or customized computer software, are not subject to tax, provided such fees are stated separately from taxable computer services.

Custom and customized software purchased in a transaction separate from the machinery is treated as the purchase of computer and data processing services and the services involved in its creation are taxable at the current rate for computer and data processing services. Manufacturing exemptions, both full and partial, apply only to tangible personal property. Services purchased in a separate transaction from the sale of tangible personal property are not eligible for any of the manufacturing exemptions.

Full Exemption

Qualifying manufacturers may purchase custom or customized computer software services fully exempt under Conn. Gen. Stat. §12-412(34) **only** when such custom or customized software is purchased in the same transaction and from the **same** vendor as machinery used directly in the manufacturing production

process. Conn. Gen. Stat. §12-407(8) and §12-407(9) provide that **sales price** and **gross receipts** include *any services which are part of the sale*. Charges for computer and data processing services to create custom software or to customize software that are part of the sale of manufacturing machinery are included in the gross receipts or sales price of the machinery. Such charges are also included in the full exemption.

Partial Exemption

Manufacturers, fabricators and processors may purchase custom or customized computer software partially exempt **only** when such custom or customized software is purchased in the same transaction and from the **same** vendor as machinery and equipment qualifying for a partial exemption under the MRA. Conn. Gen. Stat. §12-407(8) and §12-407(9) provide that **sales price** and **gross receipts** include *any services which are part of the sale*. When charges for computer and data processing services to create or customize software that are part of the sale of manufacturing machinery are included in the gross receipts or sales price of the machinery, such charges are also included in the partial exemption.

COMPUTER AND DATA PROCESSING SERVICES

Computer and data processing services are subject to tax under Conn. Gen. Stat. §12-407(2)(i)(A). Computer and data processing services include, but are not limited to: providing computer time, storing and filing of information, retrieving or providing access to information, designing, implementing or converting systems, computer consulting services, conducting feasibility studies, customizing canned software and developing or creating custom computer software. Manufacturers, fabricators and processors are consumers of computer and data processing services and must pay tax on such services, except in those limited instances described in the **Computers** and **Software** areas of this section. The tax on custom and customized software services is being phased out. See the table below for the phase-out rate.

For purchases made:	Tax rate
On or after July 1, 1997	5%
On or after July 1, 1998	4%
On or after July 1, 1999	3 %
On or after July 1, 2000	2 %
On or after July 1, 2001	1 %
On or after July 1, 2002	0 %

APPLICABLE CERTIFICATES

CERT-100, *Materials, Tools and Fuel Certificate*

CERT-109, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*

REFERENCES

Conn. Gen. Stat. §12-412(34)
Machinery used in manufacturing

Conn. Gen. Stat. §12-412(73)
Component parts for assembly of manufacturing machinery

Conn. Gen. Stat. §12-412i
Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing

Conn. Agencies Regs. §12-412(34)-1
Machinery used directly in a manufacturing production process

SN 93(1.1) *The Manufacturing Recovery Act of 1992 — Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating*

PS 98(3) *Sales and Use Taxes on Computer-Related Services and Sales of Tangible Personal Property*

AN 94(10.2) *Rulings Related to Computer and Data Processing Services Obsolete by Court Decisions*

Section VIII SUMMARY

	Computers		Canned Software		Custom/Customized Software (Computer Services)	
	Full Exemption	Partial Exemption	Full Exemption	Partial Exemption	Full Exemption	Partial Exemption
Manufacturer	Available when qualifying as machinery or component parts (Conn. Gen. Stat. §12-412(34)), and component parts for assembly into production machinery (Conn. Gen. Stat. §12-412(73)) CERT-101	Available when qualifying as machinery and equipment or component parts of machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109	Available when qualifying as component parts of machinery (Conn. Gen. Stat. §12-412(34)), and component parts for assembly into production machinery (Conn. Gen. Stat. §12-412(73)) CERT-101	Available when qualifying as component parts of machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109	Available when qualifying as component parts of machinery only when purchased in the same transaction with machinery (Conn. Gen. Stat. §12-412(34)) CERT-101	Available when qualifying as component parts of machinery and equipment only when purchased in the same transaction with machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109
Fabricator	Not available	Available when qualifying as machinery and equipment or component parts of machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109	Not available	Available when qualifying as component parts of machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109	Not available	Available when qualifying as component parts of machinery and equipment only when purchased in the same transaction with machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109
Processor	Not available	Available when qualifying as machinery and equipment or component parts of machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109	Not available	Available when qualifying as component parts of machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109	Not available	Available when qualifying as component parts of machinery and equipment only when purchased in the same transaction with machinery and equipment (Conn. Gen. Stat. §12-412i) CERT-109

SECTION IX — RESEARCH AND DEVELOPMENT

(Manufacturers, Fabricators and Processors)

Machinery, equipment, materials, tools and fuel used in research and development are **not eligible** for full exemption from tax. However, machinery, equipment, materials, tools and fuels used in research and development may be eligible for partial tax exemption under the MRA when purchased by manufacturers, fabricators or processors.

Research and development means an experimental or laboratory activity that has as its ultimate goal the development of:

- new products;
- new uses for existing products; or
- improvement of methods for producing products.

Research and development does **not** include testing or inspection for quality control purposes, efficiency surveys, management studies, consumer surveys or other market research, advertising or promotional activities, or research for literary, historical or similar projects.

PARTIAL EXEMPTION

Purchases of materials, tools and fuels that are used or consumed in an **industrial plant** (see definition of *industrial plant*, for purposes of MRA partial exemption, on pages 25 and 26), in any process preparatory to or related to manufacturing, processing or fabricating tangible personal property to be sold are partially exempt from tax under the MRA. The partial exemption includes purchases of materials, tools and fuels used in research and development. A business solely engaged in research and development may qualify as an industrial plant under the MRA as long as the business is conducting research and development of products to be manufactured, fabricated or processed for sale.

Machinery and equipment purchased for research and development qualify for a partial exemption under the MRA. Unlike materials, tools and fuels which must be used or consumed in an industrial plant, machinery and equipment need not be used or consumed in an industrial plant to qualify for partial exemption. A business solely engaged in research and development

qualifies for a partial exemption under the MRA for machinery and equipment as long as the business is conducting research and development of products to be manufactured, fabricated or processed for sale.

To qualify as equipment under the MRA partial exemption, items used in qualifying research and development activities must be **essential** to the activities. Equipment is **essential** if the research and development process cannot proceed without this equipment. The fact that a piece of equipment is required by law or by practical necessity does not of itself render the item essential for purposes of the partial exemption.

APPLICABLE CERTIFICATES

CERT-108, *Certificate of Partial Exemption — Materials, Tools, and Fuels*

CERT-109, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*

REFERENCES

Conn. Gen. Stat. §12-412i

Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing

Conn. Gen. Stat. §12-412(89)

Machinery, equipment, tools, materials, supplies and fuel used in the biotechnology industry

SN 93(1.1) *The Manufacturing Recovery Act of 1992 — Exemption for Purchases of Property Used in Manufacturing, Processing or Fabricating*

PS 98(8) *Exemption from Sales and Use Taxes for Items Used Directly in the Biotechnology Industry*

SECTION X — TESTING AND MEASURING

(Manufacturers, Fabricators and Processors)

Tools and machinery used for testing and measuring activities may qualify for a full exemption under Conn. Gen. Stat. §12-412(18) and §12-412(34). Machinery, equipment, materials, tools and fuels used for testing and measuring activities may qualify for a partial exemption under the MRA. However, only tangible personal property is exempt under Conn. Gen. Stat. §§12-412(18) and (34) and the MRA. The **services** of adjusting and calibrating equipment or tools are **taxable** as repair and maintenance services to tangible personal property under Conn. Gen. Stat. §12-407(2)(i)(DD). Effective July 1, 1999, the services of adjusting and calibrating machinery used in manufacturing are fully exempt from tax under Public Act 99-173, §27.

FULL EXEMPTION FOR TOOLS AND MACHINERY

TOOLS

A full exemption from tax for tools used in testing and measuring is available only to qualifying **manufacturers** and **fabricators**. To qualify for a full exemption, tools, including nondestructive testing devices, must be used directly in an industrial plant to check the performance or output (products) of machinery used directly in the actual fabrication or manufacturing of finished products to be sold. For example, a tool used for nondestructive testing for quality control purposes before packaging the product qualifies for a full exemption. Destructive testing devices include tools that damage or destroy the materials or products being tested and do not qualify for a full exemption. Tools used **prior** to the start or **following** the completion of the fabrication or manufacturing process do not qualify for full exemption. For example, a tool used to inspect finished products when refabrication is not practicable does not qualify for a full exemption.

MACHINERY

A full exemption from tax for machinery used in testing and measuring is available only to qualifying **manufacturers**. Machinery used exclusively **during** the manufacturing production process to test (other than destructive testing) or to measure materials and products being manufactured is exempt from tax. Machinery used in destructive testing is machinery that damages or destroys the materials or products being tested and does not qualify for a full exemption. To qualify for a full exemption, the measuring or nondestructive testing conducted during the manufacturing production process may be on either a continuous or random basis. For example, machinery used in nondestructive testing for quality control purposes before packaging the product qualifies for a full exemption. However, machinery used in testing, measuring, weighing, inspecting and storing materials **prior** to the start or **following** the completion of the manufacturing production process does not qualify for a full exemption.

A full exemption is **not** available for materials, equipment or fuel used in testing and measuring activities.

PARTIAL EXEMPTION FOR MACHINERY, EQUIPMENT, MATERIALS, TOOLS AND FUELS

A partial exemption from tax for machinery, equipment, materials, tools and fuels used in testing and measuring is available to qualifying manufacturers, fabricators, processors and qualifying independent contractors. Machinery and tools not qualifying for a full exemption, as well as equipment, materials and fuels used in measuring and testing, are eligible for a partial exemption under the MRA.

Machinery and equipment used to measure and test with respect to manufacturing, processing or fabricating goods are partially exempt. Materials, tools and fuels that are used or consumed in an industrial plant to measure or test goods to be sold are partially exempt. Measuring and testing that qualify for a partial exemption under the MRA includes **both** nondestructive and destructive measuring or testing, and the alignment and calibration of machinery, equipment and tools, for manufacturing, processing or fabricating tangible personal property. Additionally, activities such as weighing and testing materials upon receipt qualify for a partial exemption.

An independent contractor performing the activities of measuring and testing for manufacturers, processors, or fabricators may qualify to purchase machinery and equipment partially exempt under the MRA. Independent contractors may also qualify for a partial exemption for materials, tools and fuels if the activities are conducted at an **industrial plant**. (See pages 25 and 26 for the definition of industrial plant.)

APPLICABLE CERTIFICATES

CERT-100, *Materials, Tools and Fuel Certificate*

CERT-101, *Machinery, Component and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process*

CERT-108, *Certificate of Partial Exemption — Materials, Tools and Fuels*

CERT-109, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*

REFERENCES

Conn. Gen. Stat. §12-412(18)
Production materials

Conn. Gen. Stat. §12-412(34)
Machinery used in manufacturing

Conn. Gen. Stat. §12-412i
Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing

Conn. Agencies Regs. §12-412(18)-1
Materials, tools and fuel used directly in an industrial plant in the actual fabrication of finished products to be sold

Conn. Agencies Regs. §12-412(34)-1
Machinery used directly in a manufacturing production process

Public Act 99-173, §27

SN 93(1.1) *The Manufacturing Recovery Act of 1992 — Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating*

SECTION XI — AIR POLLUTION CONTROL AND WASTE TREATMENT (Manufacturers, Fabricators and Processors)

In general, items of tangible personal property used or consumed in air pollution control and waste treatment facilities are subject to tax. However, Conn. Gen. Stat. §12-412(21) and §12-412(22) provide a full exemption from tax for certain equipment and supplies, certified as approved by the Department of Environmental Protection (DEP), that are used or consumed in air pollution control and waste treatment facilities. Operators of air pollution control and waste treatment facilities include but are not limited to manufacturers, fabricators and processors. Such operators may purchase approved air pollution control and waste treatment equipment and supplies fully exempt from tax.

Conn. Gen. Stat. §12-412(21) provides a full exemption for:

Personal property for incorporation into or used in waste treatment facilities. *Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of facilities for the treatment of industrial waste before the discharge thereof into any waters of the state or into any sewerage system emptying into such waters, the primary purpose of which is the reduction, control or elimination of pollution of such waters, certified as approved for such purpose by the commissioner of environmental protection. For the purposes of this subdivision "industrial waste" means any harmful thermal effect or any liquid, gaseous or solid substance or combination thereof resulting from any process of industry, manufacture, trade or business or from the development or recovery of any natural resource.*

Conn. Gen. Stat. §12-412(22) provides a full exemption for:

Personal property incorporated into or consumed in air pollution control facilities.

Sales of and the storage, use or other consumption of tangible personal property or supplies acquired for incorporation into or used and consumed in the operation of facilities, the primary purpose of which is the reduction, control or elimination of air pollution, certified as approved for such purpose by the commissioner of environmental protection. Said commissioner may certify to a portion of such tangible personal property or supplies acquired for incorporation in such facilities to the extent that such portion shall have as its primary purpose the reduction, control or elimination of air pollution.

AIR POLLUTION CONTROL

A full exemption is available under Conn. Gen. Stat. §12-412(22) to manufacturers, processors, fabricators or any business, for tangible personal property or supplies incorporated into or used and consumed in the operation of air pollution control facilities to reduce, control or eliminate air pollution, if approved for this purpose by the DEP.

The term **air pollution control facility** is not limited to a building exclusively used for air pollution control. Air pollution control facilities could be that portion of a manufacturing plant used to control air pollution. The term **facility** is defined as more of a process than a place, the process being to reduce, control or eliminate air pollution. Tangible personal property or supplies that are incorporated into or used and consumed in the operation of an air pollution control facility must be approved by the DEP to qualify for a full exemption from tax.

PREAPPROVED EQUIPMENT AND CONSUMABLES

The following items of air pollution control equipment and consumables have been **preapproved** by the DEP for use in air pollution control facilities and qualify for a full exemption from tax:

Activated Carbon Adsorption or Carbon Adsorbers
Ammonia
Bags
Breakaway Couplings *
Catalysts
Catalytic Afterburner with or without Heat Exchanger
Centrifugal Collector
Coaxial Hose *
Combustion Modification to meet NO_x RACT
Control Equipment to meet CTGS, RACT or other Regulatory Requirements
Cyclone, including Multiple Cyclone
Desulfurization
Direct Flame Afterburner
Dry Limestone Injection
Electrostatic Precipitator
Fabric Filter
Flares
Flue Gas Recirculation
Gas Scrubber
Gravity Collector
Limestone
Mist Eliminator
Nitrogen Blanket
Reagents - i.e., lime, carbon, etc.
Reagent Scrubbing Processes
Refrigerated Condensers
Retrofit Kit *
Selective Catalytic or Non-Catalytic Reduction
Spray Booth Filters
Staged Combustion
Steam or Water Injection, Water Sprays
Thermal Afterburner with or without HX
Tray - Type Gas Adsorption Column
Ultrasonic Water Sprays
Urea
Vapor Lock Balance Recovery System *
Vapor Recovery Nozzle *
Vapor Recovery System (including condensers) *
Vapor Return Piping *
Water Wash
Wet Electrostatic Precipitators

Wet Scrubber or Adsorber, e.g., Venturi, etc.
Whip Hose *

* Stage II Vapor Recovery Equipment

See PS 99(2), *Tax Exemptions for Certain Air Control Pollution Equipment*, for more information on sales and use taxes exemptions, as well as municipal property tax exemptions, for air pollution control equipment.

The DEP must approve, in writing, items not listed above as preapproved. Call the Engineering and Technical Services Division of the DEP's **Air Management Bureau** at (860) 424-4152 to obtain written approval, or write to:

Director of Engineering and Enforcement
Bureau of Air Management
Connecticut Department of Environmental
Protection
79 Elm Street
Hartford, CT 06106-5127

To claim an exemption for preapproved qualifying air pollution control items, present the retailer of the items with a properly completed **CERT-117, *Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities***. Attach a copy of the written approval from the DEP if the item is not on the preapproved list.

WASTE TREATMENT

A full exemption from tax is available to operators of waste treatment facilities including but not limited to manufacturers, processors and fabricators, for tangible personal property incorporated into or used and consumed in the operation of facilities for the treatment of industrial waste before the discharge into any waters of the state or into any sewerage system emptying into such waters to reduce, control or eliminate pollution of such waters, if approved for this purpose by the DEP.

The term **waste treatment facility** is not limited to a building exclusively used for waste treatment. A waste treatment facility could be that portion of a manufacturing plant used to treat industrial waste before discharge into Connecticut waters. The term **facility** is defined more as a process than a place, the process being to reduce, control or eliminate pollution of Connecticut waters. Tangible personal property or supplies that are incorporated into or used and consumed in the operation of a waste treatment facility must be approved by the DEP to qualify for a full exemption.

PREAPPROVED EQUIPMENT AND CONSUMABLES

The following items of water pollution control equipment and consumables have been **preapproved** by the DEP for use in water pollution control facilities and qualify for a full exemption from tax:

Activated Carbon Filters
Air Stripping/Off Gas Treatment Systems
Ammonia Removal Systems
Bag and Strainer Filters
Biological Wastewater Treatment Systems
(Activated Sludge, Trickling Filters, RBCs, etc.)
Chemical Feed and Storage Tanks
Color Removal Systems for Waste Water
Cyanide Destruction Systems
Dechlorination Chemicals
(sulfur dioxide, sodium sulfite, etc.)
Dechlorination Equipment
Defoamers
Diffusers
Disinfection Chemicals
(chlorine, bromine, ozone, etc.)
Disinfection Systems (oxidation, ultra-violet)
Dissolved Air Flotation Systems

Electrolytic Recovery Systems
Equalization Tanks
Evaporators
Flow Meters and Recorders
Gravity Clarifiers
Grit Separators
Heat Exchangers
Hexavalent Chromium Reduction Systems
Ion Exchange Equipment and Materials
Liquid Level Sensing Devices and Alarms
Membrane Filtration Systems
Metals Precipitation Systems
Mixers and Agitators
Neutralization Tanks and Systems
Oil/Water Separators
Oily Waste Demulsification Chemicals
(sulfuric acid, calcium chloride, etc.)
Oily Waste Demulsification Systems
ORP Meters
Oxidizing Agents
(calcium hypochlorite, chlorine gas, etc.)
pH Adjustment Chemicals (lime, caustic, acid, etc.)
pH Adjustment Systems
pH Meters and Recorders
Phase Separation Systems
Phosphorous Removal Equipment and Chemicals
Recycling Systems for Non-Contact Cooling Water
Reducing Agents (sodium metabisulfate, sulfur dioxide, ferrous sulfate, etc.)
Reverse Osmosis Systems for Waste Water Reuse or Discharge
Sand and Multimedia Filters
Settling and Flocculating Agents
(alum, lime, ferric chloride, polymers, etc.)
Settling Tanks and Sedimentation Basins
Sludge Collection and Conveyance Systems
Sludge Dewatering Devices and Conditioning Chemicals
Sludge Handling and Storage Facilities Used Solely for Sludge (tanks, pumps, agitators, etc.)
Sludge Incinerators and Composting Facilities
Sludge Stabilization and Conditioning Systems
(anaerobic digestion, heat treatment, etc.)
Spill Control Equipment and Structures including only:
Underground Seepage Protection, Cathodic Protection of Underground Tanks, Leak Detection Equipment, Liquid Level Sensing Devices, Automatic Solenoid Valves, Alarms, Collisions Protection, Diversionary Structures, Dikes, Berms, Retention Basins and Slick Booms

Temperature Meters and Recorders
Wastewater Analysis Equipment
Wastewater Collection and Conveyance Systems for process wastewater* and blowdown from heating and cooling equipment, where minor inputs of sanitary sewage are understood to be present and acceptable.

* As defined in Conn. Agencies Regs. §22a-430-3, this definition does not include stormwater.

See **PS 99(3)**, *Tax Exemptions for Certain Water Pollution Control Equipment*, for more information on sales and use taxes exemptions and municipal property tax exemptions for water pollution control equipment.

The DEP must approve, in writing, items not listed above as preapproved. Call the Permitting, Enforcement and Remediation Division of DEP's **Bureau of Water Management** at (860) 424-3848 to obtain written approval, or write to:

Bureau of Water Management
Permitting, Enforcement and Remediation
Division
Connecticut Department of Environmental
Protection
79 Elm Street
Hartford, CT 06106-5127

To claim an exemption for preapproved qualifying water pollution control items, present the retailer of the items with a properly completed **CERT-124**, *Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities*. Attach a copy of the written approval from DEP if the item is not on the preapproved list.

LABOR AND SERVICES

The exemptions described above apply only to tangible personal property. Services to existing industrial, commercial and income producing real property are subject to tax with the exception of services rendered in the voluntary evaluation, treatment, containment, or removal of hazardous waste or other contaminants of air, water or soil. Therefore, services to existing real property involving air pollution control and waste treatment facilities, such as the installation of approved air pollution control or waste treatment equipment are not subject to tax. Likewise, environmental consulting services are not subject to tax. See **IP 99(19)**, *A Guide to Connecticut Sales and Use Taxes for Building Contractors*, for more information.

APPLICABLE CERTIFICATES

CERT-117, *Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities*

CERT-124, *Certificate for Purchase of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities*

REFERENCES

Conn. Gen. Stat. §12-412(21)
Personal property for incorporation into or used in waste treatment facilities

Conn. Gen. Stat. §12-412(22)
Personal property incorporated into or consumed in air pollution control facilities

Conn. Gen. Stat. §12-407(2)
Definitions

PS 99(2) *Tax Exemptions for Certain Air Pollution Control Equipment*

PS 99(3) *Tax Exemptions for Certain Water Pollution Control Equipment*

IP 99(19) *A Guide to Connecticut Sales and Use Taxes for Building Contractors*

SECTION XII — CONTAINERS AND PACKAGING MATERIALS

(Manufacturers, Fabricators and Processors)

The purchase of containers and packaging materials is subject to tax. However, certain containers and packaging materials are exempt under Conn. Gen. Stat. §12-412(14). Manufacturers, fabricators, processors or any business can purchase qualifying containers and packaging materials fully exempt from tax.

Conn. Gen. Stat. §12-412(14) states in part that tax does not apply to the sale of and the storage, use or other consumption of:

Containers. (A) *Nonreturnable containers ... when sold without the contents to persons who place the contents in the container and sell the contents together with the container...*

NONRETURNABLE CONTAINERS AND PACKAGING MATERIALS

Certain nonreturnable empty containers and parts of the containers, including packing and shipping materials, may be purchased fully exempt from tax by any business. A business can purchase containers fully exempt only when **all** the following apply. The container must be:

- nonreturnable;
- purchased without its contents;
- the contents placed in the container by the purchaser; and
- the contents sold together with the container.

Exempt nonreturnable containers and parts of the containers (such as packing and shipping materials), provided **all** the above conditions are met, include but are not limited to:

bags, barrels, bottles, boxes, cans, carboys, cartons, cones, crates, cylinders, drums, excelsior and other packing and crating material used as cushioning or padding inside containers to protect fragile articles, gummed tape, kegs, descriptive labels, labels other than shipping labels, lumber, pallets, sacks, shrink wrap, spools, strapping, tubes, twine and wrapping paper.

Shipping labels, security labels, tags or devices, and price tags do **not** qualify for an exemption and are therefore taxable.

When a manufacturer does not pack and ship its own products, the manufacturer may contract with a third party such as a packer, shipper or fulfillment house to pack and ship the products. In this case, the manufacturer may purchase qualifying nonreturnable containers and packaging materials exempt from tax.

A manufacturer may purchase qualifying nonreturnable containers, including parts of containers and packing and shipping materials used with qualifying nonreturnable containers, exempt from tax by issuing to the seller (or packer) a completed *Connecticut Sales and Use Tax Resale Certificate*.

RETURNABLE CONTAINERS

Returnable containers are subject to tax. **Returnable containers** are containers customarily returned to the seller by the buyer of the contents of the container, for reuse by the seller, including containers for which a deposit has been taken.

Returnable containers **do not include** nonrefillable beverage containers. Therefore, a beverage container that is not designed to be refilled and reused in its original shape may be purchased on a resale basis provided the manufacturer purchases the container empty, fills it and sells the container with its contents. Such a container is not treated as a taxable “returnable container,” even though it is returnable for deposit under the “bottle bill.”

Example:

A returnable soda can

A returnable plastic soda bottle

APPLICABLE CERTIFICATES

Connecticut Sales and Use Tax Resale Certificate

REFERENCES

Conn. Gen. Stat. §12-412(14)

Containers

PS 94(1) *Purchases of Containers and Packaging Material by Packers, Shippers and Fulfillment Houses*

SECTION XIII — INDUSTRIES WITH SPECIFIC STATUTORY EXEMPTIONS

While the following industries may qualify for a full or partial exemption under Conn. Gen. Stat. §12-412(18), §12-412(34) and §12-412i, these industries are also afforded by statute full exemptions from tax on purchases of certain items.

PRINTERS

Conn. Gen. Stat. §12-412(71) provides a full exemption for:

Machinery, equipment, tools, materials and supplies used in commercial printing.

Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used predominantly in the production of printed material by a commercial printer or publisher. For purposes of this subsection, “the production of printed material” is defined to include all processes necessary to convert manuscript copy into printed material, including but not limited to, layout, color separation and typesetting.

Conn. Gen. Stat. §12-412(72) provides a full exemption for:

Machinery, equipment, tools, materials and supplies for typesetting, color separation, finished copy, or similar products.

Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used predominantly in the production of typesetting, color separation, finished copy with type proofs and art work or similar content mounted for photomechanical reproduction, or other similar products to be sold for use in the production of printed materials.

For these two exemptions, **predominantly** means more than 50%.

COMMERCIAL PRINTERS

Commercial printers generally perform work on a job or custom basis, but may also in some cases sell the product themselves. Commercial printers are actively and primarily in the business of printing, as described in Group Nos. 275 through 279 of the Standard Industrial Classification Manual, Office of Management and Budget (1987) (“SIC Manual”).

Commercial printers include, but are not limited to, those engaged in the following processes as a trade or business:

- lithographing (maps, posters, wrappers, etc.)
- offset printing
- photo-offset printing
- photolithographing
- gravure (circulars, telephone directories, etc.)
- printing of manifold business forms
- screen printing on glass, plastics, paper or metal
- printing of greeting cards
- printing of blankbooks
- printing of looseleaf binders
- book binding
- typesetting
- platemaking

Establishments primarily engaged in providing photocopying services are **not** “commercial printers.” Also, print shops such as in-house print shops that do not sell their product are not actively engaged in the business of printing and do not qualify for this exemption.

PUBLISHERS

Publishers are primarily engaged in the business of preparing and distributing, whether by sale or otherwise, books, periodicals, newspapers and other printed materials, including but not limited to items listed in Industry Group Nos. 271 through 274 of the SIC Manual, but excluding items specifically listed elsewhere in the SIC Manual. Publishers may have in-house printing facilities or they may use independent contractors to do the actual printing of the material being published.

PREPRESS PRODUCTION

Prepress production includes the production of typesetting, color separation, finished copy with type proofs and art work or similar content mounted for photomechanical reproduction, or other similar products to be sold for use in the production of printed materials.

EXEMPTION FOR PURCHASES BY COMMERCIAL PRINTERS AND PUBLISHERS

Qualifying commercial printers and publishers can purchase machinery, equipment, tools, materials and supplies used predominantly in the production of printed material exempt from tax by issuing a properly completed **CERT-120**, *Certificate for Machinery, Equipment, Tools, Materials and Supplies Used in the Production of Printed Materials or in Prepress Production*, to the vendor.

The **production of printed material** includes all processes necessary to convert manuscript copy into printed material, including but not limited to layout, color separation, typesetting and plate making. The production of printed material also includes the press or printing stage and bindery process. Activities occurring after the completion of the process, such as sorting, handling, casing, loading, addressing or delivering printed materials, are taxable.

See **PS 95(4)**, *Purchases of Machinery, Equipment, Tools, Materials and Supplies by Commercial Printers and Publishers* for detailed information regarding the taxability of purchases of machinery, component parts, software, equipment, tools, materials and supplies by commercial printers and publishers.

APPLICABLE CERTIFICATE

CERT-120, *Certificate for Machinery, Equipment, Tools, Materials and Supplies Used in the Production of Printed Materials or in Prepress Production*

METAL CASTING FOUNDRIES AND PATTERN SHOPS

Conn. Gen. Stat. §12-412(65) provides a full exemption for:

Molds, dies, patterns and sand handling equipment for metal casting foundries. *The purchase and sale by metal casting foundries of molds, dies, patterns and sand handling equipment.*

Conn. Gen. Stat. §12-412(66) provides a full exemption for:

Molds, dies and patterns for pattern shops and metal casting foundries. *The sale by pattern shops of molds, dies and patterns to metal casting foundries or their customers for use in such foundries, and the purchase and use of such items by pattern shops in connection with any such sales.*

APPLICABLE CERTIFICATE

CERT-100, *Materials, Tools and Fuel Certificate**

- * The purchaser must attach a statement to **CERT-100** that the purchaser is claiming an exemption under Conn. Gen. Stat. §12-412(65) or §12-412(66), as applicable.

AIRCRAFT MANUFACTURING, REPAIR AND OVERHAUL

Conn. Gen. Stat. §12-412(76) provides a full exemption for:

Aircraft repair or replacement parts. *Sales of and the storage, use or other consumption of repair or replacement parts exclusively for use (A)(i) in aircraft owned or leased by a certificated air carrier or (ii) in aircraft having a maximum certificated takeoff weight of six thousand pounds or more or (B) in the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.*

Conn. Gen. Stat. §12-412(77) provides a full exemption for:

Aircraft repair services. *Sales of aircraft repair services when such services are rendered in connection with (A)(i) aircraft owned or leased by a certificated air carrier or (ii) aircraft having a maximum certificated takeoff weight of six thousand pounds or more or (B) with the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.*

Conn. Gen. Stat. §12-412(78) provides a full exemption for:

Materials, tools, fuel, machinery and equipment in an aircraft manufacturing facility. *On or after July 1, 1993, sales of and the storage, use or other consumption by an aircraft manufacturer operating an aircraft manufacturing facility in this state of materials, tools, fuel, machinery and equipment used in such facility. For the purposes of this subsection, (A) “machinery and equipment” means tangible personal property (i) which is installed in an aircraft manufacturing facility operated by an aircraft manufacturer and (ii) the predominant use of which is for the manufacturing of aircraft or aircraft parts or components or for the significant*

overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis and (B) “aircraft manufacturing facility” means that portion of a plant, building or other real property improvement used for the manufacturing of aircraft or aircraft parts or components or for the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

See **SN 93(23)**, *Aircraft Manufacturing, Repair and Overhaul*, for additional information.

APPLICABLE CERTIFICATES

CERT-110, *Aircraft Repair Services Certificate, Aircraft Repair and Replacement Parts Certificate*

CERT-111, *Certificate For Machinery, Equipment, Materials, Tools and Fuel Used by an Aircraft Manufacturer Operating an Aircraft Manufacturing Facility*

OPTICAL LENS FABRICATION

Conn. Gen. Stat. §12-412(81) provides a full exemption for:

Machinery, equipment, tools and materials used in fabricating optical lenses. *Sales of and the storage, use or consumption of machinery, equipment, tools and materials used exclusively in the fabrication of optical lenses.*

Retail-based establishments that fabricate optical lenses, including eyeglass lenses, on their premises may purchase their machinery, equipment, tools and materials to be used exclusively in the fabrication of optical lenses exempt from tax.

APPLICABLE CERTIFICATE

No certificate currently exists. To claim an exemption the purchaser must present a statement to the seller certifying under penalty of false statement that the purchaser is claiming an exemption under Conn. Gen. Stat. §12-412(81).

COMMERCIAL PHOTOGRAPHIC FILM PROCESSING

Conn. Gen. Stat. §12-412(88) provides full exemption for:

Commercial photographic film and paper processing materials. *Sales of and the storage, use or consumption of machinery, equipment, tools and materials used exclusively in the commercial processing of photographic film and paper.*

This does not apply to equipment generally regarded as photocopying machinery or to items used by commercial photographers or photographic studios.

APPLICABLE CERTIFICATE

No certificate currently exists. To claim exemption the purchaser must present a statement to the seller certifying under penalty of false statement that the purchaser is claiming exemption under Conn. Gen. Stat. §12-412(88).

BIOTECHNOLOGY INDUSTRY

Conn. Gen. Stat. §12-412(89) provides full exemption for:

Sales of and the storage, use or other consumption of machinery, equipment, tools, materials, supplies and fuel used directly in the biotechnology industry. For the purposes of this subsection, "biotechnology" means the application of technologies, such as recombinant DNA techniques, biochemistry, molecular and cellular biology, genetics and genetic engineering, biological cell fusion techniques, and new bioprocesses, using living organisms, or parts of organisms, to produce or modify products, to improve plants or animals, to develop microorganisms for specific uses, to identify targets for small molecule pharmaceutical development, to transform biological systems into useful processes and products or to develop microorganisms for specific uses.

See **PS 98(8)**, *Exemption from Sales and Use Taxes for Items Used Directly in the Biotechnology Industry*, for additional information.

APPLICABLE CERTIFICATE

CERT-129, *Exemption for Items Used Directly in the Biotechnology Industry*

REFERENCES

Conn. Gen. Stat. §12-412(65)

Molds, dies, patterns and sand handling equipment for metal casting foundries

Conn. Gen. Stat. §12-412(66)

Molds, dies and patterns for pattern shops and metal casting foundries

Conn. Gen. Stat. §12-412(71)

Machinery, equipment, tools, materials and supplies used in commercial printing

Conn. Gen. Stat. §12-412(72)

Machinery, equipment, tools, materials and supplies for typesetting, color separation, finished copy, or similar products

Conn. Gen. Stat. §12-412(76)

Aircraft repair or replacement parts

Conn. Gen. Stat. §12-412(77)

Aircraft repair services

Conn. Gen. Stat. §12-412(78)

Materials, tools, fuel, machinery and equipment in an aircraft manufacturing facility

Conn. Gen. Stat. §12-412(81)

Machinery, equipment, tools and materials used in fabricating optical lenses

Conn. Gen. Stat. §12-412(88)

Commercial photographic film and paper processing materials

Conn. Gen. Stat. §12-412(89)

Machinery, equipment, tools, materials, supplies and fuel used in the biotechnology industry

PS 95(4) Purchases of Machinery, Equipment, Tools, Materials and Supplies by Commercial Printers and Publishers

PS 98(8) *Exemption from Sales and Use Taxes for Items Used Directly in the Biotechnology Industry*

SN 93(23) *Aircraft Manufacturing, Repair and Overhaul*

SECTION XIV — SALES AND CERTIFICATES

(Manufacturers, Fabricators and Processors)

The sales tax is imposed on retailers for the privilege of doing business in the State of Connecticut. Manufacturers, fabricators and processors making sales in this state must hold a valid *Sales and Use Tax Permit*. Connecticut's sales tax rate is 6% (with certain exceptions) and applies to the retail sale, lease or rental of goods and most taxable services (the sales tax on computer and data processing services is being phased out; see the table on page 47). If the business is not registered with the Department as a seller of goods, it must complete **Form REG-1, Application for Tax Registration Number**, which is available from the Department's Forms Unit. As a seller of goods or taxable services in Connecticut, a business is required by law to charge and collect the Connecticut sales tax.

SALES OF GOODS

In general, all sales, leases and rentals of goods in Connecticut are subject to tax except sales specifically exempted from tax by statute and sales made for resale.

SALES OF SERVICES

Services are subject to tax only if they are specifically enumerated as taxable by statute. Charges for the following commonly used services that may be sold or purchased by your business are taxable, except when rendered by an employee for his or her employer. The list is not all inclusive; for an extensive list of taxable services, refer to Conn. Gen. Stat. §12-407(2), or contact the Department's Taxpayer Services Division.

- advertising or public relations services including layout, art direction, graphic design, mechanical preparation or production supervision, not related to the development of media advertising or not related to the development of cooperative direct mail advertising;
- business analysis, management, management consulting and public relations services;
- computer and data processing services (taxable at a reduced rate; see the table on page 47);
- credit information and reporting services;
- employment agencies and agencies providing personnel services;

- janitorial services;
- landscaping and horticulture services;
- lobbying or consulting services;
- locksmith services;
- maintenance services to real property;
- motor vehicle repair services;
- private investigation, protection, patrol work, watchman and armored car services;
- repair services to electrical or electronic devices, except calibration services exempted by Public Act 99-173, §27;
- repair or maintenance services to tangible personal property, except calibration services exempted by Public Act 99-173, §27;
- services to industrial, commercial and income-producing real property, including but not limited to management, electrical, plumbing, painting, carpentry, structural inspection and refuse removal. Services to industrial, commercial or income-producing real property do not include services rendered in the voluntary evaluation, prevention, treatment, containment or removal of hazardous waste or other contaminants of air, water or soil. Income-producing property does not include property used exclusively for residential purposes in which the owner resides and which contains no more than three dwelling units, or a housing facility for low and moderate income families;
- sign painting and lettering services;
- stenographic services;
- telecommunications services;
- telephone answering services;
- warranty and service contracts for any item of tangible personal property;
- window cleaning services.

SALES PRICE

The sales price of goods or taxable services is the total cost paid by the purchaser to a seller, including any charges by the seller to the purchaser for shipping or delivery. However, sales price does not include any cash discounts taken at the time of sale or early payment discounts.

SHIPPING OR DELIVERY CHARGES

Charges for shipping or delivery by a seller connected with the sale of taxable goods or services are subject to tax regardless of whether the charges are separately stated in a written contract or whether the shipping or delivery is provided by the seller or a third party.

In some instances, one charge for shipping or delivery applies to both taxable and nontaxable goods. To calculate the portion of the charge that is subject to tax, the purchaser may prorate the charge, using the same measure used to determine the shipping charge (for example, weight or sales price).

Example 1:

A delivery fee of \$100 is charged for shipment of 150 lbs. of taxable and nontaxable goods (\$.67 per lb.). The taxable goods weigh 80 lbs. The portion of the delivery charge attributed to the delivery of the taxable goods is \$53.60 (80 lbs. x \$.67 per lb.). Therefore, only \$53.60 of the \$100 delivery fee is included in the sales price subject to tax.

Example 2:

A delivery fee of \$30 is charged for shipment of \$200 of taxable and nontaxable merchandise (\$.15 per dollar value of merchandise). The cost of the taxable merchandise is \$120. The portion of the freight charge attributed to the delivery of the taxable merchandise is \$18 (\$120 x \$.15). Therefore, only \$18 of the \$30 delivery fee is included in the sales price subject to tax.

CASH DISCOUNTS

Cash discounts taken at the time of sale and early payment discounts paid during the discount period are excluded from sales and use taxes.

Example:

A vendor offers a 2% discount from the sales price if payment is made within 10 days. If the customer pays (cash or credit) at the time of sale or within the early payment discount period, tax is computed on the price of the item less the 2% discount as follows:

Sales price	\$1000.00
Less 2% discount	- 20.00
Adjusted sales price	\$980.00
Adjusted sales price	\$980.00
Apply 6% sales or use tax	+ 58.80
Total amount due	\$1038.80

See **PS 96(2)**, *The Treatment of Early Payment Discounts*, for more information on early payment discounts.

EXEMPTION CERTIFICATES

Some sales made by a business are exempt because the goods or services being sold are statutorily exempt or excluded from tax. Other sales are exempt because the purchaser is an organization that is exempt by statute from paying tax on certain purchases of taxable goods and services.

A business that sells goods or services that are exempt from tax must keep accurate records to support the exemption or the business may be liable for payment of the tax plus interest and penalty. Many, but not all, exemptions require the use of a specific certificate which must be completed by the purchaser and provided to the seller. The seller and purchaser must keep the exemption certificates for at least six years.

An exemption certificate may be issued for a single exempt purchase and most may be used for a continuing line of purchases of the same type provided the certificate is marked **Blanket Certificate**. A blanket certificate is usually valid for three years from the date it is issued if during that time the exemption remains in effect.

On certain certificates, the blanket period may be **less** than the standard three year period.

RESPONSIBLE PARTIES

Both the purchaser and seller have responsibilities when issuing or accepting exemption certificates.

PURCHASER'S RESPONSIBILITIES

The purchaser's responsibilities when issuing an exemption certificate follow. The certificate must be:

- the appropriate exemption certificate;
- filled out in its entirety;
- signed by an owner or officer of the business;
- **issued in good faith***;
- maintained for at least six years along with records that substantiate the information on the certificate.

SELLER'S RESPONSIBILITIES

The seller's responsibilities when accepting an exemption certificate follow. The certificate must be:

- the appropriate exemption certificate;
- filled out in its entirety;
- signed by an owner or officer of the business;
- **accepted in good faith***;
- maintained for at least six years along with bills, invoices or records of purchases made under the certificate.

* **Good faith.** A purchaser should issue an exemption certificate **only** if it can claim in good faith that the statements made on the certificate are true and accurate. A seller should accept an exemption certificate **only** if it can accept in good faith that the statements made by the purchaser are true and accurate. If the seller has reason to believe that the information on the certificate is incorrect and the seller does not charge the tax, the seller is liable for payment of the tax, plus penalty and interest. Likewise, a purchaser who gives a false or fraudulent exemption certificate is subject to the payment of the tax, plus penalties and interest, and may also be subject to civil and criminal penalties.

Refer to the appropriate exemption certificate for additional information and instructions.

STATUTORY EXEMPTIONS FOR SALES OF GOODS

Most exemptions from tax are included under Conn. Gen. Stat. §12-412. The following is a partial listing of goods that are exempt by statute from tax. This list is not intended to be all-inclusive. It includes exemptions that are specific to manufacturers, fabricators and processors. Contact the Department's Taxpayer Services Division for more information.

- **Machinery used in manufacturing.** *Conn. Gen. Stat. §12-412(34).* (See Section II of this guide for more information.) The purchaser must complete **CERT-101, Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process.**

- **Production materials, tools and fuel.** *Conn. Gen. Stat. §12-412(18).* (See Section III of this guide for more information.) The purchaser must complete **CERT-100, Materials, Tools and Fuel Certificate.**
- **Gas or electricity for residential use and certain manufacturing, fabricating or agricultural production.** (See Section III of this guide for more information.) A full exemption from tax on the first \$150 in electric charges to a business for any month of service is also available. *Conn. Gen. Stat. §12-412(3).* The purchaser must complete **CERT-115, Certificate for Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant.**
- **Water, steam and telegraph services when delivered to consumers through mains, lines, pipes or bottles.** *Conn. Gen. Stat. §12-412(3).* No certificate currently exists.
- **Fuel for heating purposes in residential dwellings or in certain buildings used directly in agricultural production, fabrication of a finished product to be sold or an industrial manufacturing plant.** *Conn. Gen. Stat. §12-412(16).* (See Section III of this guide for more information.) The purchaser must complete **CERT-115, Certificate for Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant.**
- **Partial exemption for machinery and equipment used in manufacturing, fabricating and processing.** *Conn. Gen. Stat. §12-412i* (the MRA). (See Section IV of this guide for more information.) The purchaser must complete **CERT-109, Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts.**
- **Partial exemption for materials, tools and fuels used in manufacturing, fabricating and processing.** *Conn. Gen. Stat. §12-412i* (the MRA). (See Section V of this guide for more information.) The purchaser must complete **CERT-108, Certificate of Partial Exemption — Materials, Tools and Fuels.**

- **Component parts for the assembly of manufacturing machinery.** *Conn. Gen. Stat. §12-412(73).* (See Section VI of this guide for more information.) The purchaser must complete **CERT-101, Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process.**
- **Pollution control equipment used in the operation of air pollution control facilities approved by DEP.** *Conn. Gen. Stat. §12-412(22).* (See Section XI of this guide for more information.) The purchaser must complete **CERT-117, Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities.**
- **Waste treatment equipment used in the operation of facilities for the treatment of industrial waste that are approved by DEP.** *Conn. Gen. Stat. §12-412(21).* (See Section XI of this guide for more information.) The purchaser must complete **CERT-124, Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities.**
- **Machinery, equipment, tools, materials, and supplies used in commercial printing.** *Conn. Gen. Stat. §12-412(71).* **Machinery, equipment, tools, materials and supplies for typesetting, color separation, finished copy, or similar products.** *Conn. Gen. Stat. §12-412(72).* (See Section XIII of this guide for more information.) See **PS 95(4), Purchases of Machinery, Equipment, Tools, Materials and Supplies by Commercial Printers and Publishers.** The purchaser must complete **CERT-120, Certificate for Machinery, Equipment, Tools, Materials and Supplies Used in the Production of Printed Material or in Prepress Production.**
- **Printed material manufactured for a purchaser in Connecticut to be delivered for use outside the state within 30 days following delivery.** *Conn. Gen. Stat. §12-412(31).* The purchaser must complete a *Printed Material Certificate.* This certificate cannot be used as a blanket certificate.
- **Commercial trucks, truck tractors, tractors, semitrailers and vehicles used in combination therewith that have a gross vehicle weight rating in excess of 26,000 pounds or are operated actively and exclusively for the carriage of interstate freight pursuant to a certificate or permit from the Interstate Commerce Commission or its successor agency.** *Conn. Gen. Stat. §12-412(70).* The purchaser must complete **CERT-105, Commercial Motor Vehicle Purchased Within Connecticut to be Used Exclusively in the Carriage of Freight in Interstate Commerce.**
- **Any item of clothing or protective equipment worn by an employee for protection during the course of the employee's employment.** *Conn. Gen. Stat. §12-412(91).* (See Section III of this guide for more information.)
- **Machinery, equipment, tools, materials, supplies and fuel directly in the biotechnology industry.** *Conn. Gen. Stat. §12-412(89).* (See Section XIII of this guide for more information.) The purchaser must complete **CERT-129, Exemption for Items Used Directly in the Biotechnology Industry.**

SALE AND LEASEBACK ARRANGEMENTS

Public Act 99-173, §11 provides that, effective July 1, 1999, tax does not apply to the original sale of tangible personal property in a sale and leaseback arrangement, if within 120 days from the original sale the original purchaser sells or contracts to sell the property to a retailer that will lease it back to the original purchaser in a taxable lease.

OUT-OF-STATE SALES AND PURCHASERS

TITLE PASSES OUTSIDE CONNECTICUT

As previously stated, all sales of tangible personal property and certain services are subject to Connecticut sales and use taxes, unless specifically exempted or excluded from tax by statute. All sellers of such property or services are liable for collection of sales tax unless an exemption or resale certificate is issued at the time of purchase to exempt the sale from tax. However, sales of tangible personal property where title passes **outside the boundaries** of the State of Connecticut are not subject to Connecticut sales tax. The seller may, however, be liable for collection of the other jurisdiction's sales or use tax (if nexus is established with that jurisdiction) or the purchaser may be liable for a use tax in that jurisdiction, or the seller may be required to collect Connecticut use tax if the seller is located outside Connecticut and has nexus with Connecticut. The purchaser may also be liable for use tax in Connecticut if the purchaser intends to use the property in Connecticut at the time of purchase, and then so uses it.

TITLE PASSES IN CONNECTICUT

Out-of-state manufacturers, fabricators and processors that do not have to register in Connecticut because they are not engaged in business in Connecticut can issue a Connecticut exemption certificate or a *Connecticut Sales and Use Tax Resale Certificate* when making purchases in Connecticut for use or resale, as applicable, outside of Connecticut, if all other requirements of the exemption or resale certificate are met. The purchaser may use the tax identification number issued by the state in which it does business when completing the certificate. If the purchaser has no tax identification number because the home state does not have a sales tax, the federal identification number should be provided. In addition, the purchaser must attach to the applicable exemption or resale certificate a signed statement that the business does not make sales in Connecticut and some proof, including a location and telephone number, that the issuer is engaged in business (for example, a business card, brochure or business stationery) as a manufacturer, fabricator or processor.

Example:

A Massachusetts manufacturer attends an auction in Connecticut. The manufacturer purchases a machine that qualifies for a full exemption under Conn. Gen. Stat. §12-412(34) and will be used directly in the manufacturing production process at its industrial plant in Massachusetts. To qualify for a full exemption on the purchase of machinery, the manufacturer issues a completed **CERT-101, Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process**, to the auctioneer. The manufacturer includes a Massachusetts tax identification number on the certificate and attaches a business card, a company brochure and a signed statement on company letterhead that the business does not make sales in Connecticut.

"BUY CONNECTICUT" PROVISION

Conn. Gen. Stat. §12-408c allows taxpayers purchasing tangible personal property from Connecticut retailers to obtain refunds of sales and use taxes paid or an exemption from sales and use taxes, where the property is eventually shipped out of Connecticut for exclusive use by the purchaser outside Connecticut. Tangible personal property purchased from Connecticut retailers may be either stored in Connecticut and subsequently shipped out of Connecticut, or processed, fabricated or manufactured into, attached to or incorporated into, other tangible personal property that is subsequently shipped outside Connecticut.

REFUND CLAIM REQUIREMENTS AND RESTRICTIONS

The "Buy Connecticut" provision imposes certain restrictions and requirements that taxpayers must satisfy in order to file claims for refunds.

The provision is intended to apply only to businesses and not to individuals other than sole proprietors of businesses or single-member limited liability companies.

To obtain refunds of use tax paid, a taxpayer must purchase tangible personal property from a Connecticut retailer for use or consumption in its trade, occupation, business or profession and must eventually ship the property outside of Connecticut by common or contract carrier. Taxpayers are not allowed to transport tangible personal property purchased under this provision out of Connecticut in their own vehicles or in vehicles owned by the retailers of the property.

The business must own the property at the time it is shipped outside Connecticut, and must use the property exclusively outside Connecticut after shipment, for as long as it owns the property. The property must be shipped out of Connecticut within three years from the date of its purchase.

Any use of tangible personal property in Connecticut for which a sales and use tax refund has been issued **prior** to its shipment out of Connecticut, other than storage or use, in the course of being processed, fabricated, manufactured, or incorporated into other tangible personal property, subjects the property to use tax on its purchase price as of the date of such use. Likewise, any use of tangible personal property by the purchaser in Connecticut **after** its initial shipment out of Connecticut subjects the property to use tax as of the date of such use.

If tangible personal property purchased under the "Buy Connecticut" provision remains in Connecticut beyond three years from the date of its purchase and a refund has been issued, the business that purchased the property becomes liable for use tax on the purchase price of the property as of three years after the date of purchase.

REFUND PROCEDURES

All claims for refund of taxes paid on tangible personal property purchased under the "Buy Connecticut" provision during a calendar year **must** be filed by **April 1** of the next calendar year. All refund claims must be filed on **Form AU-526, Sales and Use Tax Refund Application for Purchases Made Under the "Buy Connecticut" Provision**, and must be accompanied by supporting documentation. The Department requires that the taxpayer retain records supporting refund claims, including but not limited to, proof that the tax was paid, and shipping documents, for six years from the date on which the claims were filed.

"BUY CONNECTICUT" EXEMPTION PERMIT

Conn. Gen. Stat. §12-408c(b)(2) allows the Commissioner, in his discretion, to issue permits to taxpayers that enable the taxpayers to purchase tangible personal property from Connecticut retailers exempt from tax.

As with the refund portion of the "Buy Connecticut" provision, tangible personal property purchased with an exemption permit may be stored in Connecticut for up to three years from the date of its purchase. Any use of tangible personal property in Connecticut other than storage or use in the course of being processed, fabricated, manufactured, or incorporated into other tangible personal property subjects the property to use tax on its purchase price as of the date of such use. If tangible personal property purchased under the "Buy Connecticut" provision remains in Connecticut beyond three years from the date of its purchase and a refund has been issued, the business that purchased the property becomes liable for use tax on the purchase price of the property as of three years after the date of purchase.

Any taxpayer registered to pay Connecticut sales and use taxes that wishes to obtain a "Buy Connecticut" permit must make application to the Commissioner of Revenue Services. In deciding whether to issue a permit, the Commissioner may take into consideration an applicant's history of compliance with sales and use taxes and other taxing statutes, including its payment and audit histories, and the nature of the taxpayer's business.

If the taxpayer's application is approved, the Commissioner will issue the taxpayer a numbered permit that will entitle the taxpayer to make exempt purchases using **CERT-132**, *Sales and Use Tax Exemption for Purchases Under the "Buy Connecticut" Provision*. The permit is valid from the date it is issued through the end of the calendar year in which it was issued. The taxpayer must apply to the Commissioner for a new permit no later than December 1.

The taxpayer must provide **either** a copy of its exemption permit and a completed **CERT-132** to a retailer each time it makes a purchase, or issue the retailer a blanket certificate for a continuing line of exempt purchases. A blanket certificate remains in effect from the date of the first purchase in the calendar year until the end of the calendar year, unless the taxpayer makes a written revocation before the expiration of the period.

A taxpayer who has been issued an exemption permit must submit a report with each **Form OS-114**, *Sales and Use Tax Return*, that the taxpayer is required to file. Taxpayers who have made exempt purchases must complete and submit **Schedule OS-114A**.

Conn. Gen. Stat. §12-408c does not apply to tangible personal property that becomes an ingredient or component part of tangible personal property intended to be sold as a finished product by the purchaser. That property may be purchased exempt under Conn. Gen. Stat. §12-412(18).

The "Buy Connecticut" provision also does not apply to printed material that has been manufactured in Connecticut to the special order of a purchaser and which, within thirty days following delivery to the purchaser, is to be delivered for use outside Connecticut. That material may be purchased exempt under Conn. Gen. Stat. §12-412(31).

See **SN 98(10)**, *The "Buy Connecticut" Provision*, for more information.

ORGANIZATIONS WITH EXEMPTIONS

Certain organizations and entities are entitled by statute to make purchases without payment of tax. These exempt organizations include:

- The State of Connecticut, its political subdivisions (cities and towns) and Connecticut state and municipal agencies, including Connecticut public schools, may purchase goods and services exempt from tax by issuing a *Governmental Agency Exemption Certificate*. The exemption does not apply to other states, their political subdivisions, or agencies.
- The United States government and its agencies and instrumentalities may purchase goods and services exempt from tax by issuing a *Governmental Agency Exemption Certificate*. The exemption does not apply to foreign governments, their states, political subdivisions, or agencies.
- Federally recognized Indian tribes with tribal lands located within Connecticut and their enrolled members may purchase goods exempt from tax **for their exclusive use on their reservation**, when the purchase takes place on their reservation. Presently these are only the Mashantucket Pequot and Mohegan Tribes. Services are exempt when the benefit of the service, under Connecticut law, occurs on the reservation and the tribe or an enrolled member is the purchaser. The tribe or an enrolled member may purchase goods and services exempt from tax by issuing **CERT-127**, *Certificate for Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe*. Contractors providing goods or services for construction projects on the reservation may issue **CERT-128**, *Certificate for Exempt Purchases by Contractors in Connection with Construction Projects on the Mashantucket Pequot or Mohegan Reservations*.

- Farmers that have been issued a **Form OR-248**, *Connecticut Farmer Tax Exemption Permit*, by DRS may purchase qualifying goods, but not services, used exclusively in agricultural production by presenting a copy of the current year's permit to the retailer. See **PS 91(7.5)**, *Procedures on Applying for a Farmer Tax Exemption Permit*, and **IP 99(17)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax and Estimated Income Tax*, for more information .
- Fishermen that have been issued a **Form OR-256**, *Commercial Fisherman Exemption Permit* by DRS may purchase qualifying goods to be used directly in the fishing industry. See **PS 93(1.6)**, *Application Procedures for a Commercial Fisherman Exemption Permit* for more information.
- Qualifying nonprofit charitable, religious and educational organizations may purchase goods and services for the exclusive use of the organization exempt from tax by issuing **CERT-119**, *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*, and attaching a copy of the exempt organization's Connecticut tax exempt permit or the organization's federal determination letter or group letter.

SALES FOR RESALE

Purchasers of goods or services who intend to resell them or physically incorporate them into another product or service to be sold must issue either a *Connecticut Sales and Use Tax Resale Certificate* or the Multistate Tax Commission's *Uniform Sales and Use Tax Certificate — Multijurisdiction*, or pay tax to the seller. A seller of goods or services may only accept a resale certificate from another retailer if the certificate can be accepted in good faith. If the purchaser does not issue a resale certificate to the seller, tax must be collected. A seller is **never** required to accept a resale certificate.

Retailers making sales in Connecticut may not accept a resale certificate or exemption certificate of another state furnished by the purchaser. DRS accepts the Multistate Tax Commission's *Uniform Sales and Use Tax Certificate — Multijurisdiction*, as a valid resale certificate. This certificate is not valid as an exemption certificate for any purpose other than as a resale certificate.

A purchaser issuing a *Connecticut Sales and Use Tax Resale Certificate* to a seller must be a person or business who:

- is engaged in the business of selling such tangible personal property or taxable service; and
- was issued a *Sales and Use Tax Permit* by DRS or by a revenue agency of another jurisdiction; and
- at the time of purchase, intends to resell the goods or services without any use or change in the regular course of business; or to resell the goods as an integral or component part of a final product to be sold; or resell services enumerated in Conn. Gen. Stat. §12-407(2)(i) as an integral, inseparable component part of services enumerated under Conn. Gen. Stat. §12-407(2)(i).

Contractors purchasing materials for use in construction projects (such as lumber, nails, etc.) may **not** issue a *Sales and Use Tax Resale Certificate* for these goods. Contractors are considered the consumers of materials and **must** pay sales tax to the seller at the time of purchase.

A business should accept a *Sales and Use Tax Resale Certificate* **only** if it can accept in good faith that the statements made by the purchaser are true and accurate. A seller that has reason to believe the information on the certificate is incorrect, and does not charge the sales tax, may be held liable for payment of the tax, plus penalties and interest. Likewise, a purchaser who gives a false or fraudulent *Sales and Use Tax Resale Certificate* will be held liable for payment of the tax, plus penalties and interest, and also may be subject to civil and criminal penalties.

See **IP 93(4.2)**, *Notice to Retailers Regarding Sales and Use Tax Resale Certificate*, and **IP 99(21)**, *Getting Started in Business: Understanding Connecticut Taxes*, for more information on the *Sales and Use Tax Resale Certificate*.

APPLICABLE CERTIFICATES AND FORMS

Connecticut Sales and Use Tax Resale Certificate

REG-1 *Application for Tax Registration Number*

CERT-100, *Materials, Tools and Fuel Certificate*

CERT-101, *Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process*

CERT-108, *Certificate of Partial Exemption — Materials, Tools and Fuels*

CERT-109, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts*

CERT-115, *Certificate for Exempt Purchases of Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant*

CERT-117, *Certificate for Purchases of Tangible Personal Property Incorporated into or Consumed in Air Pollution Control Facilities*

CERT-119, *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*

CERT-120, *Certificate for Machinery, Equipment, Tools, Materials and Supplies Used in the Production of Printed Material or in Prepress Production*

CERT-124, *Certificate for Purchases in Connection with Water Pollution Control Facilities*

CERT-127, *Certificate for Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe*

CERT-128, *Certificate for Exempt Purchases by Contractors in Connection with Construction Projects on the Mashantucket Pequot or Mohegan Reservations*

CERT-129, *Exemption for Items Used Directly in the Biotechnology Industry*

CERT-132, *Sales and Use Tax Exemption Under the "Buy Connecticut" Provision*

REFERENCES

Conn. Gen. Stat. §12-410
Presumptions and resale certificates

Conn. Gen. Stat. §12-407(2)
Definitions

Conn. Gen. Stat. §12-408
The sales tax. Imposition and rate

Conn. Gen. Stat. §12-408c
Refund of taxes for certain purchases in this state for sole use or consumption outside this state

IP 93(4.2) *Notice to Retailers Regarding Sales and Use Tax Resale Certificate*

IP 99(21) *Getting Started in Business: Understanding Connecticut Taxes*

PS 94(7) *Fabrication and Installation of Stock and Custom Cabinets*

IP 99(17) *Farmer's Guide to Sales & Use Taxes, Motor Vehicle Fuels Tax and Estimated Income Taxes*

PS 93(1.6) *Application Procedures For a Commercial Fisherman Exemption Permit*

SN 98(10) *The "Buy Connecticut" Provision*

PS 96(2) *The Treatment of Early Payment Discounts*

SECTION XV — THE CONNECTICUT USE TAX

(Manufacturers, Fabricators and Processors)

Conn. Gen. Stat. §12-411 imposes a use tax at the rate of 6% on the storage, acceptance, consumption or any other use of tangible personal property and certain enumerated services in the State of Connecticut. Under Conn. Gen. Stat. §12-412i, the MRA, the use tax is computed on 50% of the sales price for purchases of machinery and equipment materials, tools and fuels. The use tax on computer and data processing services is being phased out. See the table on page 43.

Any individual or business that purchases taxable goods or services for use in Connecticut without paying Connecticut sales tax **must** pay the use tax. If no tax was paid because the purchase was made from an out-of-state company and delivered into Connecticut, the use tax is equivalent to the Connecticut sales tax that would have been due on the sale if it had occurred in Connecticut. Also, the seller may be required to collect Connecticut use tax if the seller has nexus with Connecticut. If another jurisdiction's tax was paid on a purchase made and picked up in that jurisdiction, the use tax due is limited to the amount, if any, by which the Connecticut tax exceeds the tax already paid.

Goods or services that are not subject to Connecticut sales tax are not subject to the use tax. Therefore, qualifying manufacturers, fabricators or processors purchasing tangible personal property exempt from Connecticut sales tax are not liable for a Connecticut use tax on the purchases. However, the improper use of an exemption certificate may lead to a use tax liability.

Example:

A non-manufacturing business purchases machinery fully exempt by improperly issuing **CERT-101**, *Machinery and Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process*, to its supplier. The business is liable for the use tax and interest accrued on the purchase of the machinery. In addition, it may be liable for all fines and penalties imposed for improper use of the certificate.

Use tax applies to any purchase made by a business for taxable goods and taxable services except for purchases made for resale. It applies to the purchase or lease of assets used by the business such as furniture, equipment, machines, instruments and computers. The tax likewise applies to the purchase of consumable goods such as office supplies, paper, stationery items, certain publications, packaged software, and books, as well as to services used by the business such as vehicle repair, personnel training, landscaping, janitorial or snow removal services.

A *Connecticut Sales and Use Tax Resale Certificate* may only be used to purchase goods or services intended for resale in the regular course of business. See the discussion about resale certificates on page 64. Goods and services used in carrying on business or consumed by the business are subject to use tax.

Issuing a *Connecticut Sales and Use Tax Resale Certificate* may lead to a later use tax liability if:

- (a) A business purchases inventory for resale and subsequently consumes or uses it in the business.

Example:

A computer distributor takes a computer from inventory to do billing for the business. The business owes use tax on the price it paid for the computer.

- (b) A business purchases items on resale and subsequently gives them away in a promotion.

Example:

A distributor of office supplies sends out pens and pencils as part of its advertising. The business owes use tax on the price it paid for the pens and pencils.

SALES PRICE SUBJECT TO USE TAX

The **sales price** of goods or taxable services subject to use tax is the total cost paid by the business to the seller, including any charges by the seller to the purchaser for shipping or delivery. Refer to page 57 for more information on *sales price*.

REMITTING BUSINESS USE TAX

A business must pay sales tax directly to the seller when purchasing taxable goods or services unless the purchase is intended for resale **or** the purchase is otherwise exempt from tax. However, when a business determines that certain purchases it made exempt from tax are in fact subject to use tax, the business must remit the tax on those goods and services directly to the Department on **Form OS-114, Sales and Use Tax Return**, for the reporting period in which the taxable purchases were made.

See **IP 93(3.1)**, *Q & A on Connecticut Use Tax for Businesses and Professions* and **IP 99(21)**, *Getting Started in Business: Understanding Connecticut Taxes*, for more information on use tax.

APPLICABLE CERTIFICATES AND FORMS

Connecticut Sales and Use Tax Resale Certificate

REG-1, *Application for Tax Registration Number*

OS-114, *Sales and Use Tax Return*

REFERENCES

Conn. Gen. Stat. §12-410

Presumptions and resale certificates

Conn. Gen. Stat. §12-411

The use tax

IP 99(21) *Getting Started in Business: Understanding Connecticut Taxes*

IP 93(3.1) *Q & A on Connecticut Use Tax for Businesses and Professions*

APPENDIX A — INDEX OF TAX PUBLICATIONS

CERTIFICATES

<u>CERT #</u>	<u>DATE</u>	<u>NAME OF CERTIFICATE</u>
CERT-100	10/96	Materials, Tools and Fuel Certificate
CERT-101	12/98	Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Production Process
CERT-104	07/96	New Construction Certificate
CERT-105	10/96	Commercial Motor Vehicle Purchased Within Connecticut to be Used Exclusively in the Carriage of Freight in Interstate Commerce
CERT-108	07/96	Certificate of Partial Exemption — Materials, Tools and Fuels
CERT-109	12/98	Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts
CERT-110	07/96	Aircraft Repair Services Certificate, Aircraft Repair and Replacement Parts Certificate
CERT-111	07/96	Certificate for Machinery, Equipment, Materials, Tools and Fuel Used by an Aircraft Manufacturer Operating an Aircraft Manufacturing Facility
CERT-115	10/96	Certificate for Gas, Electricity and Heating Fuel Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant
CERT-116	10/96	Exempt Petroleum Products Certificate
CERT-117	06/99	Certificate For Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities
CERT-119	10/98	Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations
CERT-120	11/97	Certificate For Machinery, Equipment, Tools, Materials, and Supplies Used in the Production of Printed Materials or in Prepress Production
CERT-124	06/99	Certificate For Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities
CERT-127	10/96	Certificate For Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe
CERT-128	08/96	Certificate For Exempt Purchases by Contractors in Connection with Construction Projects on the Mashantucket Pequot or Mohegan Reservations
CERT-129	05/97	Exemption for Items Used Directly in the Biotechnology Industry
CERT-130	01/98	Sales and Use Tax Exemption for Purchases by Water Companies
CERT-131	01/98	Exemption for Projects of the Connecticut Resources Recovery Authority and Solid Waste-To-Energy Facilities
CERT-132	09/98	Sales and Use Tax Exemption Under the "Buy Connecticut" Provision
_____		Connecticut Resale Certificate
_____		Printed Material Certificate

Affidavit SUT-16a-3	04/91	Exemption Certificate - Airplane Manufactured by and Purchased from a Connecticut Airplane Manufacturer within the State of Connecticut for Use Exclusively without the State of Connecticut
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NOTICES

<u>NOTICE #</u>	<u>DATE</u>	<u>NAME OF NOTICE</u>
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1999 SPECIAL NOTICES

SN 99(7)	06/99	1999 Legislation Affecting Sales and Use Taxes and the Admissions, Cabaret and Dues Tax
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1998 SPECIAL NOTICES

SN 98(6)	04/98	Exemption From Sales and Use Taxes for Projects of the Connecticut Resources Recovery Authority and Solid Waste-To-Energy Facilities
SN 98(8)	09/98	1998 Legislation Affecting Sales and Use Taxes; Admissions, Cabaret and Dues Tax; and the Motor Vehicle Rental Surcharge
SN 98(10)	09/98	The "Buy Connecticut" Provision

1997 SPECIAL NOTICES

SN 97(10)	01/98	Exemption From Sales and Use Taxes for Tangible Personal Property and Services Purchased by Water Companies
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1995 SPECIAL NOTICES

SN 95(17)	10/95	Certain Environmental Services Excluded from Sales and Use Taxes
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1993 SPECIAL NOTICES

SN 93(1.1)	02/94	The Manufacturing Recovery Act of 1992 Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating
SN 93(2)	04/93	Sales and Use Taxes on Charges Made By Services Providers After Airkaman, Inc. v. Groppo and 1992 Conn. Pub. Acts 17 (May Spec. Sess.)
SN 93(23)	09/93	Aircraft Manufacturing, Repair and Overhaul

1999 POLICY STATEMENTS

PS 99(2)	06/99	Tax Exemptions for Certain Air Pollution Control Equipment
PS 99(3)	06/99	Tax Exemptions For Certain Water Pollution Control Equipment
PS 99(4)	08/99	Your Rights as a Connecticut Taxpayer

1998 POLICY STATEMENTS

PS 98(2)	03/98	Sales and Use Taxes on Access to the Internet and Other On-line Sales of Goods and Services
PS 98(3)	04/98	Sales and Use Taxes on Computer-Related Services and Sales of Tangible Personal Property

PS 98(5)	10/98	Sales and Use Tax Refund Policy
PS 98(8)	12/98	Exemption from Sales and Use Taxes for Items Used Directly in the Biotechnology Industry

1996 POLICY STATEMENTS

PS 96(2)	04/96	The Treatment of Early Payment Discounts
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1995 POLICY STATEMENTS

PS 95(1.2)	01/97	Procedures in Handling Requests for Issuance of Technical Advice Memoranda
PS 95(2)	03/95	Retailer's Acceptance of U.S. Government "I.M.P.A.C." Credit Card for Purchases Exempt Under Conn. Gen. Stat. §12-412(1)
PS 95(4)	08/95	Purchases of Machinery, Equipment, Tools, Materials and Supplies by Commercial Printers and Publishers

1994 POLICY STATEMENTS

PS 94(1)	02/94	Purchases of Containers and Packaging Materials by Packers, Shippers and Fulfillment Houses
PS 94(2)	02/94	Maintenance, Repair and Warranty Contracts
PS 94(3.2)	07/96	Gas and Electricity Purchased for Residential Use or for Use in Agricultural Production, in the Fabrication of Finished Products to be Sold, or in an Industrial Manufacturing Plant
PS 94(7)	12/94	Fabrication and Installation of Stock and Custom Cabinets

1993 POLICY STATEMENTS

PS 93(1.6)	04/99	Application Procedures for a Commercial Fisherman Exemption Permit
PS 93(3.2)	11/97	Taxation of Services by Employment Agencies and Agencies Providing Personnel Services
PS 93(4)	12/93	New Audit Examination Policy for Retail Transactions

1992 POLICY STATEMENTS

PS 92(2.1)	03/94	Sales and Use Taxes on Charges for Personnel Training Services
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1991 POLICY STATEMENTS

PS 91(4)	04/91	Procedures in Handling Freedom of Information Act Requests
PS 91(5)	04/91	Procedures in Handling Requests for Disclosure of Tax Returns and Tax Return Information Pursuant to Conn. Gen. Stat. §12-15
PS 91(6.2)	08/94	Procedures in Handling Requests for Issuance of Rulings

1999 INFORMATIONAL PUBLICATIONS

IP 99(11)	03/99	Business Taxes
IP 99(17)	06/99	Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax and Estimated Income Tax
IP 99(19)	09/99	A Guide to Connecticut Sales and Use Taxes for Building Contractors
IP 99(21)	09/99	Getting Started in Business: Understanding Connecticut Taxes

1998 INFORMATIONAL PUBLICATIONS

IP 98(7)	04/98	Understanding Connecticut Taxes Clearly
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1993 INFORMATIONAL PUBLICATIONS

IP 93(3.1)	03/93	Q & A on the Connecticut Use Tax for Businesses and Professions
IP 93(4.2)	12/95	Notice to Retailers Regarding Sales and Use Tax Resale Certificate

1992 INFORMATIONAL PUBLICATIONS

IP 92(1.5)	07/98	Q & A on Sales and Use Taxes For a New Business
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1996 ANNOUNCEMENTS

AN 96(4)	08/96	The Sales and Use Tax Manual is Obsolete
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NOTES

FOR TAX FORMS, PUBLICATIONS OR PERSONAL ASSISTANCE

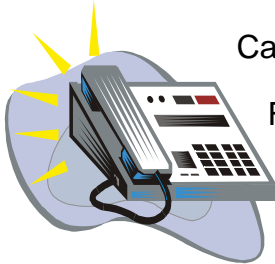
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Conn-Tax: If you have a touch-tone phone, you can obtain important tax information 24 hours a day from Conn-Tax, DRS's telephone information line.



Call 800-382-9463 (in-state) or 860-297-5962 (anywhere).

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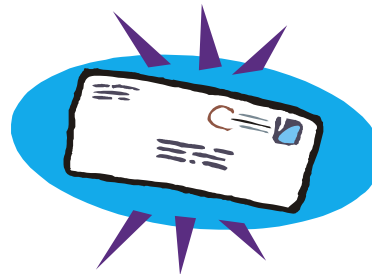
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25 Sigourney Street
Hartford CT 06106-5032



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25 Sigourney Street
Hartford CT 06106-5032
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10 Middle Street
Bridgeport CT 06610
203-579-6251

HAMDEN
3074 Whitney Ave.
Hamden CT 06517
203-287-8243

NORWICH
2 Cliff Street
Norwich CT 06360
860-889-2669

WATERBURY ☎
91 Schraffts Drive
Waterbury CT 06708
203-596-4310



Moving in 1999, call before you visit.



MISSION STATEMENT

The Mission of the
Connecticut Department of Revenue Services
is to administer the tax laws of the State of Connecticut
and collect the tax revenues
in the most cost effective manner;
achieve the highest level of voluntary compliance
through accurate, efficient and courteous customer services;
and perform in a manner
which instills public confidence in the integrity
and fairness of the state's tax programs.

IP 99(18), *Sales and Use Taxes Guide for Manufacturers, Fabricators and Processors*

State of Connecticut
Department of Revenue Services
25 Sigourney Street
Hartford CT 06106

Issued: 9/99
Supersedes IP 95(14)